

# **CAB 195/17**

**C A B I N E T**

**M I N U T E S**

C.C.(57) 82<sup>nd</sup> Conclusions – C.C.(58) 88<sup>th</sup> Conclusions

C.C.82(57).

28<sup>th</sup> November, 1957.

1. Joint Intelligence Committee. [Enter E.H.]
- P.M. Change in constitution. Circulation of reports.
2. Parliament.
- R.A.B. Business for next week.  
Motion for reference of privilege point to Judicial Ct<sup>ec</sup>. Whips to be on.  
F.A. debate may be needed before Xmas recess.
- P.M. NATO mtg. will last until 19/12. Parlt. rises on 20/12.
- R.A.B. They will ask for it before that mtg. Then to a gap on 11/12. Opposition and Hinch will both press for it. We may have to concede it.
- E.H. Wait & see how gt. the pressure is.
3. Hebrides Rocket Range.
- D.S. Deplorable delay in bringing facts to light. This new plan justified. But as much disappointment among crofters at w'drawal as there was dismay at original proposal. This gives us, much more cheaply, nearly all the facilities needed by Services and M/Supply. W<sup>d</sup>. draw up statement in consult<sup>n</sup>. with J.M.
- G.W. Avoid impression tht. we shall never expand facilities in Hebrides. We may  
x| need it. Leave door open.
- J.H. Satisfied.
- A.J. Endorse what G.W. says – may need it in 3 – 4 yrs' time.
- P.M. We shall be criticised for vacillation. Hope there won't be another change, save for possibility at x/.  
What prop<sup>n</sup>. of saving is on land-purchase & what on bldgs thereon?
- D.S. Not yet clear – mainly on bldgs etc., We are committed to buying the land if owners hold us to it – tho' we cd. do with less. Crofting rights : we must avoid treating them badly : some have sold up stock etc., on assumpt<sup>n</sup>. they are to be cleared out.
- J.M. This will be matter for music-hall jokes for 50 yrs.  
Nervous of x/ because it means continuing uncertainty for crofters.
- D.S. Can't be sure tht. we shall never need it. But doubt if we can leave a legal loophole to creep back.
- P.M. Are you quite sure it's practicable to extend Welsh ranges? What of shipping routes?

- H.W. 100 ships in each 24 hrs. pass thro' extended area. May need a lot of re-arrangement.
- D.S. Risks are infinitesimal. Can't be too restricted on firing.
- P.T. Welcome red<sup>n</sup>. of cost from £18 M. to £4 M.  
But only purpose of Hebrides range is now to fire Corporal & its descendants.  
We have spent only about £460.000 so far. Can't we give it up altogether?
- D.S. We have spent about £½ M. Propose to spend another £1½ M. Latter wd. soon be consumed in cost of hiring alternative trial ground. Also Hebrides range cd. be used by N.A.T.O. Also pol, row wd. be even greater if we abandoned it altogether.
- S.Ll. How can we explain our change of plan?
- D.S. Economies followg. Defence W. Paper.
- S.Ll. Any chance of having to revert to earlier plan?
- D.S. No chance for 5 years.
- P.M. Better to say we are going to restrict this range pro. tem. to ground to ground. Take all land, but refrain from bldg.
- R.A.B. Para 4. Not good govt.
- P.M. Answer to para. 4 affects it. But saving is not on land, and much to be said for not changing that part of the plan. \* This should be considered. \*
- D.S. Subject only to not buying any land we don't want if owners wish to retain it.
- P.M. Also want report on wtr diff<sup>ies</sup>. in para. 4 can be overcome.  
1. Buy the freehold of whole area.  
2. Compensate crofters dispossessed for the part of the range we intend to use.  
3. Compensate any crofters who have acted & suffered loss as result of earlier announcement.  
4. Clear up doubts on para. 4.
- D.S. On 4, I accept now the limitations on firing – to extent unavoidable.  
Agreed : accept 1-3 on basis that P.T. will review cost and on understanding tht. compulsory purchase shd. not be used for  
1.  
M/H & L.G. to consult Welsh planning auth<sup>ies</sup>.  
P.T., G.W. & J.M. to discuss also handling of Land Court.
4. National Health Service. [Exit G.W., A.J., J.H.  
[Enter D.W-S.
- P.M. Decision needed to-day is only – what we say to deput<sup>n</sup>. on arbitration if they ask for it.
- D.W.S. Don't court it. But can't refuse it, if requested.

Ready to try to steer them off it. But, if they ask for consent under Ind. Disputes Act, we can hardly refuse. We cdn't stop them from going to arbit<sup>n</sup>. on an individual hospital : para 3(c). And what do we say if they ask us to advise how they shd. go to arbit<sup>n</sup>.

- I.M. These are small people : we must therefore appear to be fair to them.  
This means arbit<sup>n</sup>. or review.  
At arbit<sup>n</sup>. you might get award of 3½% or 4% V. embarrassing. Also wrong. tht. Ministerial decision shd. be reviewed at arbit<sup>n</sup>.  
Therefore I prefer review. And if it is linked with N. Hall report, we cd. get over to grading vice straight pay increase.
- P.T. Agree on dangers of arbit<sup>n</sup>. To accept it willingly wd. appear weak.  
But nervous of linking this with N. Hall – which means more & more admin<sup>n</sup>.  
And has to be considered by same W. Council as got out of control on the wage claim.
- Ch.H. Action so far has strengthened Govt's position. Staff side seem to be set diff' over arbit<sup>n</sup>. Must be fair & slow. Consid<sup>n</sup>. of N. Hall report is inevitable. Can't determine a line finally until we know what dep<sup>n</sup>. says.
- D.W.S. We can't stop arbitration : only ques is wtr we guide it in one direction or another.
- Hail. L.O.'s may have advised that arbit<sup>n</sup>. on Ministerial decision is constitutionally possible. But it remains constitutionally undesirable.  
We may be forced into some arbit<sup>n</sup>. e.g. under 3(c). But we shd. play the hand to avoid it.  
We can say a new situation has bn. created by N. Hall report.
- K. How far are we committed to arbit<sup>n</sup>.?
- I.M. That if an arbitrable issue arises we won't refuse arbit<sup>n</sup>.
- H.W. V. awkward qua buses etc., if we appear to be seeking arbitration. If there is to be arbit<sup>n</sup>., better that we shd. be forced into it.
- P.M. Must see this v. background of wider issue.  
See P.T.'s reluctance re N. Hall report. But it is there – can't be escaped – will have to be considered. On balance, wiser to use this as a means of widening issue. We can appear to be reasonable, on basis of a new factor. Better to agree to a new plan, tho' costly, than give way on existg. wage claim.
- J.M. Staff side were told N. Hall enquiry wd. not be used as excuse for p'poning wage claims.
- P.M. C<sup>d</sup>. offer different machinery for discussing N. Hall rept.
- D.W.S. Remember tht. we are committed to view that arbit<sup>n</sup>. is not excluded “on an arbitral issue.”
- P.M. But we can still argue tht. Ministerial decision is not “above”.
- After further discussion on good faith –

P.M. Surely, if they ask for arbit<sup>n</sup>. Ministers shd. avoid direct answer & promise to consider.

Agreed : at deput<sup>n</sup>., try N. Hall report line. If they raise ques of arbit<sup>n</sup>. adjourn mtg so that each side can consider sugg<sup>n</sup>. made by other.

[Exit D.W-S.

5. Suez Canal.

S.LI. Do we vote for Sec. Genl's plan? Had hoped to be able to abstain. But now appears it mayn't got thro' w'out our vote. And both U.S. & France press us to vote for it. Alternative : a resol<sup>n</sup>. requirig U.K. & France to pay whole cost.

H.W. Have consulted again with ship-owners – have warned them we may have to vote for it. They will prob. claim re-imbursement from Ty. If we refuse, they may decline to pay.  
Despite this, I don't ask F.O. to take a diff. view on tacties.

S.LI. We cdn't re-imburse w'out appearing to admit that it was all our fault.

H.W. No : comparable with wrecks in late war.

P.M. Consider that ques when it comes.

C.C.83(57).

3<sup>rd</sup> December, 1957.

[Enter E.H.]

1. Parliament.

R.A.B.

Business for next week.

F. Affairs debate : Thursday 19/12 – taking risk that N.A.T.O. mtg. may not end cleanly on the Wed. To avoid debate on 9/12. i.e. before Paris mtg. Or, if mtg. runs on into Thursday, take ½ day on 20/12 (Friday). Brief report to H/C. (on Govt. side) vice debate : tho' Oppos<sup>n</sup>. wd. have chance to make speeches.

[Enter S<sup>t</sup>. A.]2. Welsh Affairs.

P.M.

Report published last Jan : time we acted on it.

Can't reproduce in Wales the Sc. model of separate administration. But we must do more by devolution, to satisfy Welsh opinion, even at some inconvenience.

H.B.

Disadvantages to be avoided. K. went much to Wales : L.I.G. did not : disappointment spread.

Report recommended Sc. model : no-one believes in that. No grief at announcement that we shan't follow that pattern.

Trouble over decision on Lpl's water. This has touched off much deeper feeling in Wales. : that decisions are reached w'out taking a/c of feeling in Wales.

Wrong to suppose tht. feeling is grounded in W. Nationalism or in economic distress. If ignored, the reasonable people will be driven into arms of nationalists. What can we do? M/State for Wales, who can spend large part of his time in Wales.

Administrative devolution. Standing Ctt<sup>ee</sup>. of officials in Wales, over which I preside, is v useful – in correcting excessive departmentalism. There is a rural affairs sub-ctt<sup>ee</sup>. of this, & I propose to create economic sub-ctt<sup>ee</sup>. W<sup>d</sup>. help if Dpts. had senior official stationed in Cardiff. This general approach wd. be acceptable to our supporters in Wales. It might also satisfy Council for Wales. Reasoned reply to their memo. coupled with constructive & sympathetic proposals of our own.

S<sup>t</sup>. A

We have already 800 offfs. (out of 1400) under Welsh secretary – and balance are mainly technical.

H.B.

M/Ag. have done much : can't ask that they shd. do more than keep possibility in mind.

H.W.

I will post Under Secy. to Cardiff : but must be understood that he will be there only to assuage Welsh feeling – it wd. not be administratively sensible.

H.B.

An Asst. Secy. wd. suffice. We feel need for opposite number.

G.L.I.

Educ<sup>n</sup>. auth<sup>ies</sup>. in Wales wd. deplore change. Present system was initiated by David L.I.G. – in interests of Welsh education. Head of our Welsh Dpt. divides his time betwn. Ldn. & Wales.

H.B.

Agree there is division of opinion. But due to personalities. But majority feeling is that more shd. be done in Wales.

Can M/Ed. present situation in such a way as to imply tht. more is being done in Cardiff? Can he also clear minds of Welsh experts? Working twds best arrangement.

- G.Ll. Will work something out : e.g. Asst. Secy. in Cardiff vice Principal.
- K. Agree to plan for M/State.  
But not sure tht. title "S of S. Wales" wd be unwise. Desired by Tory supporters, who want to pre-empt such action by a Labour Govt.  
A matter for P.M.'s decision.
- P.M. S of S. title, without a Sc. system, may seem a swindle.  
S of S. now-a days bear no relation to importance of duties.
- J.M. Might provoke Scotland to ask for even more.
- R.A.B. Against this. Future of Wales is bound up with England. W<sup>d</sup>. be abuse of oldest Ministerial title. Trouble in Scotland. Not in best interests of Wales. Prefer to go no further than new M/State.

After discussion – generally, agreed that "S of S. for Wales" would be rather bogus. Dissenting voices also heard.

3. Wages.

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- H.W. Vital to general policy that we shd. not break the front, even on a minor case  
Keep open the possibility that we may have to have a "wages policy".
- M. Diff. to imagine that when 2/3rds. of field is covered by arbit<sup>n</sup>. & we have promised not to destroy that. My advice : avoid any general statement & be free to handle each case on its separate merits.
- Hail. Diff. to resile from our genl. statements in support of collective bargaining and arbitration.
- P.T. We ought to consider at some stage possibility tht. national interest wd. be put before arbitration tribunals.
- K. When will Cohen Ctt<sup>ec</sup>. give a report.
- P.T. Have urged expedition.
- Ch.H. Any action in public sector will be v. closely scrutinised. There are some 7 N.H.S. Whitley awards before M/H. now ; and one is for as much as 50% increase. All are cases where no increase has bn. given since 1956.
- D.W.S. One of these is award by Industrial Court.
- P.T. Present<sup>n</sup>. is v. important. Need a mtg. of Ministers to consider all the Whitley awards.

I.M. 1) Don't believe independent members of arbit<sup>n</sup>. tribunals will take any more pressure fr. Govt. They wd. resign.  
2) Remember what a small field of wages we can influence. We can't get a wage freeze in this country – beyond our power.

H. Need not push any independent member by giving evidence of national interest.

R.A.B. Favour review of negotiating machinery. We need a new attitude twds it. E.g. Whitley machinery – much outside our control. We shd. have view on it. Are we to do this thro' officials – or thro' independent enquiry.

H.W. Still a problem for future – even if we get thro' this round.

P.M. V. diff. problem. Ques do we attack it on principle or on individual merits. But there are some principles we cd. establish.

- E.g.
- i) Different types of arbitration. Which do we want to keep.
  - ii) Old collective bargaining between master & man – employers functioning in open market & public interest automatically safeguard. What diff. system shd. be devised for public sector where monopoly position can be exploited. What sanction can be used for these?
  - iii) Whitley Council area – a) State servants where employer pays b) semi-public like N.H.S. where employer doesn't pay. What shd. be guiding principles for wages in this sector? Even “comparable rates outside” is a principle which was more appropriate when public service was much smaller.
  - iv) Govt. national wages policy – in sense of fixing an annual pattern of increase. If that impractical, cd. Chandos' idea be used?
  - v) What action shall we take on a report by Cohen Ctt<sup>ec</sup>? Circulate it more widely than to arbit<sup>n</sup>. tribunals alone. In public sector at any rate shd. nat<sup>l</sup>. interest be openly represented? – because not subject to market control.

I.M. Don't see any benefit in following this line.  
Arbitration : we may decide to drop Ind. Disputes Order, without putting anything in its place.  
Whitley Council – in industry (far more numerous) no conceivable Govt. sanction. Market operates.

P.M. But what about monopoly – e.g. transport.

I.M. They wd. never go to arbit<sup>n</sup>. if provision were made for nat<sup>l</sup>. interest to be considered.

M. Other nat<sup>d</sup>. ind<sup>ies</sup>. have statutory arbitration.

R.A.B. M/L. puts classical view. But strong pol. feeling the other way.

[Exit DW-S.

#### 4. Government Business.

P.M. Believe H/C. will accept Junior Ministers more readily.



C.C.84(57).

12<sup>th</sup> December, 1957.

[Enter E.H.]

1. Parliament.

Business for next week. Resumption 21/1. F.A. debate Thursday.

2. Import Duties Bill.

D.E. Propose to drop the clause providing for reviewing Ctt<sup>ec</sup>. vice I.D.A.C. There is insufficient support for it. It was included mainly because we thght we shdn't get away with status quo.

Agreed.

3. Ballistic Rocket Sites in U.K.

D.S. Private Notice Ques. Can I disclose that there will be one U.S. site in U.K. in add<sup>n</sup>. to those operated by us with U.S. weapons. Has always bn. an element in agreement but has not h'to bn. made public.

4. United States and Canadian Loans.

P.T. Propose to take a bisque this year. Because of other debt payments this year. Bisque enables us to fund this part of it over 45 yrs.

P.M. Justific<sup>n</sup>. : unusual drawings of reserves for special reasons at this time e.g. India's 5 year plan – not part of ordinary risks or movements of a banking system.

Approved.

5. B. P. Company : Plan to Close Refinery at Haifa.

P.M. We don't interfere with commercial managemt. of Co. But as major share-holder we can't pretend publicly we knew nothing of the project. Better that they shd. ask if we had any consid<sup>ns</sup>. we want them to keep in mind – and they shd. then take decisions, which wd. be their own. This kind of drill shd. be regularised, and followed on this occasion.

M. B. P., tho' they manage it, don't own it.

[Enter J.H.]

6. Libya.

Para 16.

- S.LI. i) U.S. hanging back on earlier plan for tri-partite discussion of financial need & aid. In bi-lateral talks L. wd. play off one v. another.  
ii) L. have agreed to our staying on, barracks etc.,

- iii) Some troops will have to stay beyond March '59.
- iv) Br. mil. mission shd. stay longer – will help to ease U.S. in.

- P.T. We have opening to reduce, in spring '58, our commitment to support L. budget. W<sup>d</sup>. sooner p'pone firm decisions until Estimates generally screened. Proposal in para. 3 wd. put F.O. Vote above this year's. Need appraisal of L.'s value to us. If W.O. can keep 2 batt<sup>ns</sup>. in L. w'out extra on Def. Budget, no comment.
- D.S. We can't throw away value of all we have put in for sake of 2 batt<sup>ns</sup>. Shall see how we can accommodate this w'in W.O. defence total. Subsidy to Budget, while U.S. finance investment, is bad business.
- S.Ll. U.S. can't do first : we get a share of second.
- H.W. Valuable c. aviation facilities in L.
- J.H. Can keep 2 batt<sup>ns</sup>. until March '59 w'out diff'. Br. mil. mission. Best to justify that by U.S. off-shore purchase of Br. equipment etc., for L. Army.
- S.Ll. Containment plus in M/E. will mean a little more money. We saved £10 M. on Jordan subsidy. We shall have to use some of that.
- H. Remember we said in W. Paper we c'dn't find money for development.
- P.M. Only Pakistan – who w'dn't object to loans to Arabs.

[Exit J.H.]

7. N. A. Council Meeting.

- P.M. Will inform Cab. of prelim. disc<sup>ns</sup>. with U.S. at week-end.
- i) Must get U.S. to understand that their defence (missile) must be establ<sup>d</sup>. in Europe until they have long-range weapons.
  - ii) Is it our interest to disengage – new form of appeasement. Or to tie Germany tightly in – thro' N.A.T.O.

8. Yemen.

- A.L.B. Reported action taken on Def. Ctt<sup>ec</sup>. conclusion.

[Exit S.Ll.]

9. Road Programme : Severn Bridge.

- H.B. Important gap in communications. "Scots got Forth Bridge because they have a S of S." Intolerable if M/T. now announces Tyne tunnel starting in 1960. But I rely mainly on merits. If M/T. takes same view, and can find room for it in p'mme, wrong that he shd. be precluded on financial grounds by Ty.
- P.T. Apart from merits, no ques it wd. be unwise to announce now decisions to start this in '61.

No abatement of financial pressure : highest jump in Estimate ever known in peace. My duty now is to cut them back. Some v. painful (ch. allowances) others v. drastic (atomic energy). How in that context, can we contemplate announcement about a bridge in '61.

I was generous over road p'mme on basis that spectacular announcements cd. be avoided.

If this went ahead, peak of Forth & Severn Bridge wd. come too close. We are already near a monopoly pos<sup>n</sup>. – can't get competitive tenders for Forth Bridge.

x/ Time to consider wtr. we do start this in '61 is when we consider capital p'mme for that period.

H.W. Promised to avoid issuing lists of projects over period of years.

This Bridge is a live political issue. I have stuck to principle of recovering cost by tolls – a disinflationary method.

y| Sugg<sup>n</sup>. : series of large capital works on bridges & tunnels. W<sup>d</sup>. it help to say that these must be phased according to engineering resources available – separate from roads generally – consider relation to their overseas work.

Another 12 months of planning, anyhow, for construct<sup>n</sup>. of Severn Bridge.

P.M. Right time for announcement is x/.

Work out phasing as proposed at y/. M/T. to arrange.

M'while M/T. to avoid committing his money, in p'mme, in such a way that it can't go fwd.

Agreed : as proposed by P.M.

[Enter Att.G.

10. Malta.

R.A.B. Status of Malta.

(1) Greatest c.m. of agreemt. wd. be to adopt 1<sup>st</sup>. 2 paras of 2<sup>nd</sup>. alternative. First affirmation. “for ever after” wd. involve an inconsistency – and wd. need to be defended as sentiment.

Att. Genl wd. prefer to insert these words in sub-section (1) and delete sub-section (2).

(2) Second affirmation. Propose that it shd. be confined to rep<sup>n</sup>. as such and tht. numbers shd. be dealt with by Act of U.K. Parlt.

(3) First version is infinitely preferable to the second.

I recommend as at 1. 2. and 3.

A.L.B. I accept (1) and will try to get Malta to accept it.

On (2), I wd. sooner give up “for ever after”, than sub-section (2).

On (3), the second version wd. be more acceptable in Malta, but I wd. bow to my colleagues' views.

P.M. Sub-section (2) doesn't bind another Parlt.

Att.G. But objectionable because appears to be doing so.

My alternative follows precedent of union with Scotland & Ireland.

And gives in substance all you can give.

P.M. But (2), tho' not binding, has some moral influence on succeeding Parlt.

K. But 1(2) follows N. Ireland precedent.

- P.M. If you don't have written constitution, these assurances (tho' not strictly binding) are pardonable – because all we can do. It doesn't bind further Parlt., but it guides them.
- Att.G. On point (2) I wd. prefer that principle be recognised in preamble.
- A.L.B. Accept plan for reserving numbers for ordinary leg<sup>n</sup>. on seats etc.,  
But do want principle of rep<sup>n</sup>. in body of the Bill.
- P.M. Accept Version I of second affirmation – agreed.
- P.M. No strategic reason for retaining dockyard – Def Ctt<sup>ec</sup>. decision. Cdn't announce closure, after introducing Bill. Must know where we stand on this before we settle timing of Bill.
- Att.G. Repeated sugg<sup>n</sup>. tht. principle of rep<sup>n</sup>. shd. go into preamble and shd. not require consent of Parlt. of Malta.
- K. Hope Att.G. won't insist on this point.
- E.H. Every indication that Tory opinion in H/C. has hardened v. integration. J.S., for example, and W.S.C. are adamant v. it.  
Present<sup>n</sup>. will need v. careful handling.
- R.A.B. V. awkward. May get Bill by Labour votes.

C.C.85(57).20<sup>th</sup> December, 1957.1. Wages Policy.

[Enter E.H.]

P.T.

Para. 2. New emphasis.  
 Avoid glosses on our earlier statements.  
 Watch for price decreases – & see they get publicity.  
 Keep open mind on arbit<sup>n</sup>. etc.,  
 Some awkward cases – v. small in economic significance.

I.M.

Agree.  
 Bus claim. Men are going back to B.T.C. – may be trouble when rebuffed.

D.E.

Not much prospect of price red<sup>n</sup>. on a/c of falling cost of raw materials.  
 Food prices may reflect this. Elsewhere material cost represent only about 25% :  
 and a 10% drop in that wd. mean only a drop of 2% in cost of article.

R.A.B.

Police. Don't want trouble with them if likelihood of strike.

2. Industrial Disputes.

R.A.B.

Official plans have bn. carried as far as practicable.  
 Propose that Ministers (below Cab. rank) shd. be earmarked to go to regions.  
 Will submit list to P.M.  
 El. power stations : wd. have to be operated by troops. Plans being made.  
 Drivers of road tankers : ear-marking Service-men for this.  
 x/ Memorandum available – for consult<sup>n</sup>. by Ministers who wish.

H.W.

Roads : for 3 wks. we cd. manage to deliver essential food supplies by road in a  
 rlway strike.

I.M.

Can Unions afford it? Not a long strike. But 3 wks. is nearly covered by  
 P.A.Y.E. refund + strike money.

H.W.

And NUR has about £5 M. in hand.

Note x/.

3. Electrical Trade Union.

I.M.

Best that reform shd. be undertaken by Union or T.U.C. – if it is.  
 x| Party feeling is tht., if they don't take action, Govt. may have to.  
 Action is “within the rules” – on advice from Pritt. If necessary, the rules are  
 amended to cover what Executive wants to do.  
 Propose to see Chairman of T.U.C. and tell him informally Govt.'s attitude as  
 y/ at x/. Might strengthen his hands.

Action at y/ authorised.

[Exit P.T.]

4. Rent Restriction in Scotland.

- J.M. As in memo.  
Timing – a long drawn-out process will take from Jan-July.  
May not be unpopular with moderate opinion.
- H.B. Will bring inclusive rents for l.a. houses into line with those in E. & W. New town rates will still be lower.
- I.M. On timing wd. prefer to start process before 15/1.

Memo. approved.

5. N. Atlantic Council.

- P.M. Mtg. was satisf. on the whole.  
Envisaged originally at W'ton mtg. Fear of Anglo-U.S. hegemony were dispelled. French were relaxed. Private talks were helpful.  
Principle of interdependence – in all fields – considerable advance made.  
Eis. statements : indicatg. realisation of new dollar gap. Promise to propose to Congress new measures for aid. Sale of weapons two ways will also be helpful in this.  
Looking outwards to flanks – was put across. Indonesian situation helped us to get this across. Leaven left to work.  
Secret agreemt. to seek link with other Alliances – not in communiqué  
Great issue – however we strengthen mil. power of NATO – fear is creeping over Europe, esp. in U.K. & Scandinavia, that there shd. be some further gesture twds. negotiation with R. Fr. pol. opinion is also restive on this point. We therefore got the sugg<sup>n</sup>. of For. Min. Mtg. U.S. wanted to tie this closely to disarmament & U.N. Others wanted NATO to handle it – this wd. have provoked reply tht. Warsaw Pact shd. answer for other side. These 2 consid<sup>n</sup>. made it necessary to be vague.  
I.R.B.M.'s. Odd situation. No unease here after B'muda : indeed they criticised on basis we shd. control. Dec<sup>n</sup>. : accept by Alliances as a whole : siting on basis of strategic plan : & agreemts. bilateral  
“Arm to parly” – this line will appeal to large body of opinion here. This is policy we shd. stand on.  
Development of Kennan-ism & defeatism (tiredness) thro' Europe. Key is Germany. G. has bn. crucial to peace of Europe since 1870. A neutral G. wd. be a v. dangerous pawn for others. NATO w'out G. wd. make no sense. G. has always bn. in it, as occupied or free. But there are possibilities to be considered. “Thinning-out” shd. be by mileage not by nat<sup>l</sup>. territory. But, even then, awkward to measure fr. line dividing G.  
Labour Party will exploit mood of tiredness. V. dangerous. Therefore “arm to parly” policy is wise.
- Hail. Party concerned at lack of strong propaganda line on f. policy. Kennan has called in ques fundamental basis of our policy. In '58 we shall have to put out more & give clearer lead.  
Labour propagating theory tht. Comm<sup>n</sup>. has lost its dynamism & no longer aims at world domination. This must be countered.
- H. Can we have mil. apprec<sup>n</sup>. of value of medium-range missile.  
So as to get measure of advantage in w'drawng. troops fr. Poland & Germany.

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- D.S. Militarily don't need them so far forward. And insp<sup>n</sup>. wd. be most valuable quid pro quo.  
Gt. difference between that plan and neutralisation.
- H.W. R. visitors ready to talk, & interchange, on technical achievement. For they are confident of their own. Need therefore to counter that type of impression.
- G.Ll. Recent visitor to R. Alarmed by i) ev<sup>ce</sup>. of impending trade drive by R. ii) ev<sup>ce</sup>. of many visits by foreigners & teaching of f. languages.
- D.S. Cuts both ways – reduces risk of world war.
- K. “Peace at any price” puts you at mercy of ruthless. Must take other line (P.M.'s) of makg. clear tht. there is a point at wh. you will resist even if it involves major war.
- R.A.B. Use of surpluses of U.S. & G. overseas to compete with R. – e.g. in under-developed countries.  
Have you made any impact on G.
- P.M. Opened it up with G. T.L.R. followed it up with Etzel. Must continue to press them.
- D.E. i) Kennan must be answered.  
ii) We can't do, in overseas trade, all that all our friend want. cf. the amount of development Canada wants us to do there. If we attacked this in a concentrated, vice dispersed, view great results wd. be achieved.

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C.C.86(57).

31st December, 1957.

1. Foreign Affairs.

P.M. Read message from President E. Extent of Anglo-U.S. co-op<sup>n</sup>. They are v. ready to accept sugg<sup>ns</sup>. : they are short of ideas.

2. Current Government Business.

Took note of P.M's memo.

3. Government Records.

[Enter Att.G.  
[Exit Att.G.

After discussion – agreed tht. Cab. records shd. be opened to public insp<sup>n</sup>. after 50 years.

4. Public Expenditure.

P.T. In Sept. we came v. near to devaluation of £. To meet that we limited bank advances & investment to level of last year. The point was then made that Govt. expenditure was of similar importance : we said merely that steps were being taken to limit it.

In current year Supplementaries will be heavy. (£100 M) And next year's Estimates are £170 M above that level – highest increase ever in peace-time. We are trying to hold wages by limiting amount of money available.

I cdn't approve Estimates at that level.

Causes : Education £40 M. .... Social Services : £50 M.

Explanations : Agriculture : world prices have fallen – support cost is higher. But means putting another £28 M into circulation.

“Buoyancy of revenue” – but related to inflation.

G.N.P. wdn't justify this rise in Esimates.

Won't be “easier next year” to deal with inflation – nearer Election.

We ought to be planning for £2 or 300 M less expenditure. We ought at least to see that no more is spent next year than last. What wd. this involve? Put civil & defence together. Defence is down by £22 M. Civil : up £175 : subtract 22 = 153. That amount must be saved on present Estimates. This wd. mean no new services; but, w'out major changes of policy, we mght save £40M. For remaining £113 M, we shd. have to make major decisions. Defence has done much already : civil shd. make contrib<sup>n</sup>. before more is asked of defence. On civil side, possibilities are –

School milk & other subsidies £40 M.

Child Allowance for 2<sup>nd</sup>. Child £65m.

Health Service £20 M. (boarding charge £11 M).

Our economic weakness – due to trying to do too much – will in the end undermine our influence in the world. If that is to be m'tained, we must strengthen £. Our greatest danger is, not war, but collapse of sterling.

We have highest level of taxation in world. No salvation thro' increasing it. It itself encourages inflation.

Policy decisions : <sup>X</sup>/ spend no more than last year's out.turn.



For that – £40 M. by pruning Estimates.  
 Another £70-80 from major civil changes.  
 Balance from further cuts in defence p'mme.

- P.M. Premise on which all this rests<sup>X/</sup> is a matter of judgement.  
 Points in discussion – a) Cost of agriculture subsidies. b) Change in priorities.  
 Compare small amounts put into roads, telephones etc., as cpd. with amounts  
 provided to supplement or sustain farmers' incomes. c) No special logic in  
 sticking to last year's actual. But advantage is that it draws a line & sets a limit –  
 and can be understood.
- H.B. Accept need for such restraint.  
 W<sup>d</sup>. prefer one major change vice collection of small cuts. Second has bn. done  
 so many times it can't yield much more.
- A.L.B. Support in theory. In practice cdn't accept cuts in overseas expenditure.  
 Necessary in order to avert worse viz., losing out to R. Total Colonial welfare  
 etc., outlay is only 25% of the £153 M. And failure to provide it often costs us  
 more – in mil. op<sup>ms</sup>. etc., And my loans etc., are committed years ago.
- D.S. As a Govt. we must beat inflation. Our record rests on that. If we succeed in that,  
 we shall be forgiven unpopularity of cuts – provided they are big & few vice  
 niggling & numerous.  
 On defence – I cd. do more but only if major policy decisions were taken. Time  
 for review of our pos<sup>n</sup>. in world. cf Cyprus – wh. is of no mil. value to us at all.  
 cf S.E.A. when we keep a carrier because we have decided to put div<sup>n</sup>. into Siam  
 at need.
- Hail. If P.T.'s premise is right, we must either abandon f. policy or our Col. Empire or  
 reverse our social (or agric.) policy at home. Can't achieve it by nibbling at all.  
 But which cd. we attempt to do, w'out imperilling our pol. future.  
 Thus, abandon deterrent. But think of political cost.  
 If we economise on Empire, how can we face our Party?  
 Social services : fam. allowance on 2<sup>nd</sup>. child wd. yield £65 M. But we  
 introduced this in '45 : put up the amount 1952 .....
- I.M. [Not heard]
- J.M. How much of our def. exp<sup>re</sup> is on nuclear and missiles. How far are we  
 interdependent on this with U.S. C<sup>d</sup>. we not less on this and more on  
 conventional that we can do better.
- D.S. Room for more co-ordin<sup>n</sup>. with U.S. But if we cut total much more we shall fall  
 below e.g. France – and may wreck N.A.T.O.
- H. Must aim at £100 M. cut from civil side.
- P.M. Useful discussion. P.T.'s heavy burden.  
 On defence – some gt. prizes if we can hold out a bit longer. If Macmahon Act is  
 amended, we cd. go for abolition of tests (with inspection). That would save us a  
 good deal, and gain 5 years of knowledge. This mght appeal to U.K./U.S. opinion  
 also. If we got that, I wd. rest on havg. all under U.S. control – save our small  
 bomber force. We have accepted that qua tactical atomic weapons for Army. We  
 might similarly rely on joint control for S.A.G.W.'s. W<sup>d</sup>. we accept this, after

bombers go, for IRBM.'s sited in UK? Developmt. on these lines wd. solve problem of "4<sup>th</sup>." nuclear powers.

I wdn't drop out of nuclear race now – tho' we cd. look again at some of the costlier refinements.

No magic in £153 M. Must be able to say that broadly we have held it.

Somewhere between £100 M. and £153 cd. be defended.

Strong support for purpose viz., curb inflation by limiting supply money.

Timing. Good to act by Bill and present lower Estimates. But much to be said for other method of presenting plan as a whole in Budget. Test shd., however, be the rel<sup>n</sup>. to the main battle on wage claims. We have already decided to face out a rlyway strike : a much bigger decision than milk or child allowances. For that, much turns on mood of Unions : they are hesitant now : may be unwise to provoke them. Too many cuts in social field might be provocative to them – and might turn mood of public opinion against Govt. This crisis ought to have come by March. Mght therefore be better not to act on the other side before the Budget. 5% off nos. employed by State – wd. be healthy and welcome.

5. Air Defence of Great Britain.

P.M. Long discussion. Def. Ctt<sup>ec</sup>. Can't recommend to Cab. the abolition of Fighter Command. Despite mil. arguments, it wd. be impossible to carry such a decision thro' N.A.T.O.

P.T. I have reserved my position re P.I.  
If we don't do this, we must find the money elsewhere.

D.S. No hope of getting £40 M off by other means.  
I put up proposal re F. Command because I was looking for things which are not militarily essential.  
I can't accept any inroad into pay & inducements. (£35M)  
Will see wtr I can scrape a bit more off R. & D.

P.M. Can we not find some other weapons in respect of which we can rely on U.S.

P.T. £4-5 M. on Sea-slug.

P.M. Can we not cut somethg. on assumption tht. Macmahon amendment will go through?

6. Civil Aviation.

H.W. M/S. trying to force mergers in industry. B.E.A. want to buy D.H. But they haven't made a good offer. Bristol are ready to form new company (merger) to make aircraft B.E.A. want.  
M/S. and I are pushing B'tol/Hawker Siddeley combine.

1. Government Expenditure. [Enter 3 Serv. Ministers, DWS.,  
B.C.]

P.M. Principle : no substantial increase over this year's expenditure. Gt. efforts made to find economies to bridge much of gap £153 M.  
Miscellaneous savings of £40 M. secured.  
Defence : further saving of £18 + 5½ M. civil on atomic test.

P.T. Actually atomic saving is £8½ M. not £11 M.  
Hence saving so far, civil & military = £40 M. + £21 M.

P.T. Thanks for co-operation. Savings essential – central to main position : no more money to be provided to finance inflation.  
Not arithmetic, but principle. But must be able to say no substantial increase over this year's expenditure.  
With 3 N.H.S. economies & what is agreed offer, we get cut of £92 M.  
Defence : this leaves on "inducements" a betterment of £7 M. If that were deferred, we shd. reach £99 M. Gap of £53 M.  
[Real burden worse because shan't get £50 M. from Germany.]  
Can't wear a gap of £53 M. Three alternatives –

- i) If Def. Ministers wd. p'pone direct pay increases (£19 M), and do only marriage & out of quarters allowance – there wd be saving on Estimate of £20 M. Much to be said for deferring this while wage claims generally are so crucial.
- ii) One big change vice a parcel. Take child allowance instead of others – net additional saving of £20 M.
- iii) Larger increase on N.H.S. stamp (8<sup>d</sup>.) and 8<sup>d</sup>. vice 6<sup>d</sup>. on milk would give another £20 M.

H.A. By rosier estimating of course of world prices I cd. cut £10 M. off total of my subsidies – all in next year.

D.S. Ty. swithering over pay etc., They offer allowances, tho' they think them wrong, because amount is smaller. They said P.T. shd. not deal with pay : they now say defer pay increases until P.J. reports.  
Public attitude to pay and recruiting. Build-up of assumpt<sup>n</sup>. we shall fail to get regulars. Increases wh seem stingy may be worse than none.  
My latest effort to cut out another £18 M. was made in order to save pay proposals.

Sel. Have absorbed £100 M. costs this year & are £45 M. below. Our total reduction is therefore £140 M. We surely (defence) have made our contribution.

J.H. Recruiting mainly Army ques. We agreed in Oct. to defer pay increases, to help P.T. That was gt. sacrifice. Unless we go fwd. now, with both pay & allowances, we haven't a chance of getting the all-regular Army. With that there is just a chance. Nothing has happened yet to falsify assumpt<sup>n</sup>. on wh. W. Paper rested.

#### N.H.S. and Social Service

D.W-S. Of alternatives in para.5. I prefer children allowances –

- i) a single large cut is politically easier; & more impressive.
- ii) N.H.S. proposals all open to grave obj<sup>n</sup>.
- iii) that action wd. strengthen feeling tht. Tories always go for N.H.S.

Eyes : wd. need leg<sup>n</sup>. W<sup>d</sup>. be 1<sup>st</sup>. service to be wholly abandoned. Saving in 1<sup>st</sup> year wd. not be more than £4½ m. because notice, contracts etc., Pledges that this is permanent part of N.H.S.

Stamp : Health element doubled only last Sept. Stamp going up in Feb. because of o.a.p. element. But this is less objectionable than others & might yield more because Scotland doesn't seem to have bn. taken into a/c.

Milk : recent cut was defended (Apl.) on ground that it put it back to 50% of real cost. The "half price" principle. Saving in first year wd. be £1 or £2 M less than stated because of notice & because of paymt made in arrear. Attack on mothers & children under 5 – wd. be harder to defend than cut on school milk.

General : expenditure on N.H.S. as prop<sup>n</sup>. of G.N.P. has already fallen under Tory Govt. from 1/7<sup>th</sup>. to 1/8<sup>th</sup>.

W<sup>d</sup>. prefer larger increase in stamp and no other change in N.H.S.

- M. Supported P.T. on cap exp<sup>re</sup>. We cd. have gone further on that. But Estimates = weekly house-keeping. Of course our bills go up – as others do. Increased N.H.S. charges wd. be taken by Unions as reason for wage increases. Will imperil our genl. pos<sup>n</sup>. on wages front. World won't end if we don't save £157 M. off Estimates.

#### Family Allowances.

- B.C. This wd. involve dismantling 50% of this service. Bitterly controversial leg<sup>n</sup>. Consequential changes in N.I. leg<sup>n</sup>. – altering again a Bill which hasn't yet come into operation. This also wd. be bitterly controversial. Contrary to general policy of discontinuing general subsidies and giving where need is. W<sup>d</sup>. remove payment fr. 5 m. and reduce it for another 1¼ m. M/Ag. Food survey shows tht. larger families are only section of community which is in danger nutritionally. N.H.S. Increase in stamp. W<sup>d</sup>. be 3<sup>rd</sup>. increase in total stamps w' in a year. And at 17/6 it is thght we have got it as high as can be borne.

- R.M. We are comm<sup>d</sup>. to curbing infl<sup>n</sup>. If we fail, we are ruined. If we succeed credit for that will out-weigh all these pol. difficulties. £92 M. + £10 M. for agric. Increase N.H.S. stamp to 8<sup>d</sup>. Defer Service pay increase. And you then get about £140 M.

- H.A. Best to concentrate on N.H.S. stamp – even to 1/=.

- I.M. Cdn't hope to hold wages front if children allowances were cut. Nor wd. Party support it. Not worth dropping a service (Eyes) for saving secured = 1<sup>d</sup>. on stamp. Attack on family (milk) wd. also be objectionable qua wages.

- S.Ll. Cuts in defence have damaged f. policy seriously. Supported them because of need for solvency as backing for f. policy. Problem now : how far can we narrow gap? Children's allowances and milk wd. be regarded as decl<sup>n</sup>. of war on T.U.'s. I wd. therefore take 92 (?) and see how much farther we can go on N.H.S. stamp. What about increased revenue – wh. also reduces consumption & helps to check inflation. Cannot remaining gap be presented as consistent with policy of no more money – e.g. more children or old people.

- K. Prefer method of compromises & scraps vice large policy decisions.  
Take £40 misc. increase N.H.S. by 8<sup>d</sup>. = £26. Hosp. boarding £11. At. tests 8½ M. Services £12½ M. Agric. £10 M. Service pay £18 M. (i.e. 50% of the £35).  
Total saving £126 M. Gap wd. then be ½ of 1% of total Budget.
- B.C. Repeated obj<sup>ns</sup>. to increasing cost of stamp still further.
- D.W.S. Hospital boarding charge. W<sup>d</sup>. be most unpopular. Rejected by Gillebaud.  
V. diff. to do this and the stamp.
- I.M. Cdn't do both.
- R.A.B. Can't make this occasion for major change in social policy. All we can do is to secure economies – but support them with pledges for future action. One is a firm determination to bring exp<sup>'re</sup> on the old under control by a scheme of cont<sup>m</sup>. & benefits related to wages. This will help to win psychological battle.  
Don't under-rate success P.T. had already.  
Don't on this round endanger wages battle.  
Thus, look for £30 M or so here. I wd. do 6<sup>d</sup>. on milk.  
I believe we cd. get £110 M. by these means. (i.e. £40 M. + £30 M defence + £30 M civil + £10 M on agriculture.)
- P.T. Appeal to Def. Ministers on Service pay. e.g. p'pone until autumn : doing allowances now. cf. action on N.H.S. clerks.
- P.M. Good progress made.  
Ministers must realise this may be turning point for us.  
Remember pos<sup>n</sup>. when we took office. We had to overcome greatest shock to our prestige since Majuba. We had survived. We have re-established rel<sup>ns</sup>. with U.S.  
We have promise on Macmahon. Gt. prizes lie ahead – potentially v. large savings. Also v. grave problems – Cyprus, defeatism on f. policy, disengagement.  
We shd. not allow disintegration on marginal difficulties. Even in fin & econ. affairs think what we have escaped. Recovery of £.  
Three main ques : i) what is acceptable gap. Somewhere betwn. 0.5% and 1.0% cd. be defended.  
Timing. Service Estimates must be settled to-day. On civil there are some days during which we can select least damaging economies.  
Defence. Small additional contrib<sup>n</sup>. must be found. a) Do allowances and p'pone pay indefinitely or preferably to specified date. b) Announce whole plan incorporating a delay for certain aspects.  
Civil : we must get not less than £30 M.

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3<sup>rd</sup> January, 1958Government Expenditure.

- D.S. Nil on "inducements". But offer another £5 M. on miscellaneous further economies.
- R.A.B. Civil. With increase of stamp, announce a ceiling on cost of N.H.S. W<sup>d</sup>. reduce risk on wages. If £22 M. found that way, we can't do more than another £10 M. on civil – and I wd. favour 6<sup>d</sup>. for welfare milk.
- H.A. I wd. sooner do it all on stamp – 10<sup>d</sup>. for that and nothg. on milk.
- P.T. I wd. prefer R.A.B.'s sugg<sup>n</sup>.
- P.M. Can we decide that somewhere betwn. £25-30 M. must be found from civil side : compos<sup>n</sup>. to be determined.  
On defence : if you announce in Feb/Mar. the whole scheme of improvements in Service pay & allowances, it ought surely to be possible to say that it operates from 1/7. W<sup>d</sup>. that make much difference to man engaging or re-engaging. Three months' delay will save £9 M.  
That wd. give gross total of £112-117.
- P.T. Figure for Service pay include £7 M. for "improvement". That shd. not be conceded anyway – at time when wage claims are so difficult. This leaves £28 M. P'pone introduct<sup>n</sup> for 3 mos. & you wd. get another £7. Giving total cut on Service pay etc., of £14 M.
- H.W. Service date sugg<sup>d</sup>. is Feb. This is when there may be arbit<sup>n</sup>. award to rlways. We shall be trying to prevent more going to rlwaymen. Awkward to increase Service pay at that moment.
- D.S. Remember our plan was to make the increase in the autumn. We deferred in deference to P.T. & on his assurance tht. it wd. come in in Estimates.
- P.M. Suppose we agree to get £25-30 M. more off civil expenditure.
- P.T. Service pay : I must ask that element of betterment shd. be excluded. I put that at £7 M.
- D.S. Some element of betterment is essential to success of recruiting.
- I.M. I wd. accept £25-30 M. as cont<sup>n</sup>. from civil side.
- P.M. On defence : get £9 M. by deferring whole plan until 1/7., or adjust the plan qua betterment to get about same amount : e.g. by introducing pay but withholding most of allowances.
- H.W. Betterment doesn't weigh with me : it's postponement that matters.
- J.H. Bitter disappointment in Army at p'ponement.
- P.M. Not surely at announcement of operation from 1/7.

After disc<sup>n</sup>. assume £30 M. off civil. Giving firm total : £115 M.

After adjournment for 30 minutes –

K. P.T.'s diff<sup>y</sup>. is over C. Estimates. If he cd. have £30 M. by savings & charges in welfare – Stamp £22 M. at 8<sup>d</sup>. : eyes £4½-7 M : milk £10 : boarding £11 M. Thus, unless stamp went to 10<sup>d</sup>., some other contribution must be found w'in welfare field.

P.M. This means he wants whole of the £30 out of welfare group.

Re-enter P.T.

P.M. Let us constates position of 3 groups – def., social services, Ty. My proposition was for total of £115. [76 agreed + further 9 from defence + £30 from social services.]

P.T. This leaves me £35 M. gap. My conditions must be (i) £30 M real savings or charges w'in the welfare field : excludg. any juggling with £14 M. deficit on N.I. Fund. (ii) on defence wd. ask wtr it wd. not be better to accept Ty. offer of £28 M. than to announce £35 to come into operation on 1/7 (tho' that wd. be a saving of £9 M). Division of £28 M. betwn. pay & allowances to be discussed. (iii) This is not the end of Civil Estimates examination. Free to look for add<sup>l</sup>. savings.

D.S. We agree that announcemt. of increases to come into op<sup>n</sup>. later is not wise. P.T. now asks for another £7 M. of real savings – not confined to pay?

P.M. P.T. wants another £7 M on defence. He suggests tht. it shd. come off pay & allowances. That he wd. prefer. He wd. accept £7 M. fr. other part of Def. p'mme.

I.M. Was ready to accept £25-30 M. Therefore I must accept £30 M. Tho' there must be latitude one way or another – £1 M. over or under. On (iii) I think this unreasonable if the £40 M. were found.

P.T. My (iii) wdn't apply to welfare field.

P.M. Ques is wtr any new saving shd. go to the gap or go to reducing weight of cut in welfare field.

D.W.S. I enter this at v. late stage. Disturbed at size of cut & also to extent to wh. it is all to fall on N.H.S. Haven't bn. able to consider all its implications. But i) £30 M. can't be found w'in N.H.S. Total £700 M., of which £80 M. in stamp & £40 in charges. To add another £20 M. in charges you reach 20% – which was Beveridge's limit. Ought not to go beyond £20 M in full year. Boarding charge is not administratively practicable. My view is tht. £16 M. is maximum to be found from N.H.S. The other £14 M. cd. come from N.I. Fund deficit.

B.C. Need time to reflect on repercussions on me of increased N.H.S. stamp. Why shd. civil economies be sought so largely w'in social service field.

- P.M. Effect on labour situation.
- H.W. P.T. has got balance distorted. Confidence in £ depends more on avoiding wage increases than on level of Estimates.  
We are now on fringe of wage struggle. Scene now quiet. Mad to risk losing that struggle for sake of few millions on Estimates.  
This is why I prefer increasing N.H.S. stamp.
- M. Agree with H.W. No virtue in any particular figure. Concerned v. much re effect on wages struggle. Don't therefore like increasg. N.H.S. stamp because of effect on wage claims.
- P.T. Must be able to say not spending more next year than this. I run enormous risks by accepting what I have offered.
- P.M. That is as far as we can go now. Suggest mtg. P.T., I.M., R.A.B., D.S. Sunday 5 p. m. On Monday Cab. can meet and decide.



C.C.3(58)

5<sup>th</sup> January, 1958Government Expenditure.

[Enter E.H.]

P.M. We have surveyed pos<sup>n</sup>. generally & in detailed cuts. W<sup>d</sup>. now like to have general review of position : then disc<sup>n</sup>. of specific proposals. General : P.T.'s view is that, as for cap-investment & bank advances, same principle of "no more than this year" must apply to Def. & Civil Estimates. They total about £5.000 M. The other view : on a total of that magnitude there must be some room for manoeuvre. Also shdn't pay for it a price which may imperil our pos<sup>n</sup>. in the main struggle on wages.

General Policy.

P.T. Principal object of policy : to hold £. If we fail in this, everything fails. That is why in Sept. I was authorised to say £ came first & everything else gives way to it. We agreed also on method viz., to fight inflation by limiting money supply. Banks agreed to this with v. gt. reluctance & pressed me hard on what Govt. wd. do. We had hard decisions to take on investment – e.g. housing. As result, we are just about holding position of sterling. But there will be growing threat to £ : run-down of sterling balances : international "illiquidity". Only thing holding it now is faith in our determination to enforce our policy. And what people are looking at = Govt. expenditure & wages. What will they see : enormous supplementaries, no money left in consolidated fund : increases in Service pay : [estimates £153 M. above last year's expenditure]. Can we hope to win the battle if [ ] remained. Gt. importance attached to volume of Govt. expenditure – in Tory Party and in country. Thus, first ques : are we resolved to close that gap : are we resolved to try to secure that no more is spent next year than this.

S.Ll. What if cuts provoke wage claims?

P.T. Take that into a/c in deciding what cuts. But what will cure inflation in the end is reduction of money available.

H.W. In the increase there must be elements outside our control e.g. larger number of children etc., Isn't there a difference betwn. increases on that account and increases because of policy.

P.T. Economic effect is the same.

R.A.B. It wd. be bad rule that in no year must public expenditure rise. In this year P.T. aims at checking inflation – & we shd seek to reduce exp<sup>re</sup> by all possible means. But it is not possible to reach full target in a week or 10 days – can't transform social policy to this extent in that time. Thus, we shd. combine such cuts as we can make with indication that changes will be made in policy. It wd. be wrong to go back, for a theory, on policies to wh. we have devoted our pol. career.

H. National solvency = our main problem. We must therefore curb spending. But can't see any special magic in £153 M. Do what we can now : and change policy in Budget.

Increase of £50 M. or so in Estimates won't shake confidence. What people are watching is wages struggle : & if that went badly, far more inflationary money wd. come into the economy. Hence, avoid serious attack on social services.

M. Objective is desirable. But weigh v. it the damage wh. some of the proposed cuts wd. do in wages struggle.

H.A. Concur with H. Real struggle is over wages. Don't do anything now to provoke workers in that struggle.  
On £5.000 M. few people wd. be alarmed by increase of about £50 M.

A.L.B. Agree : can't regard £153 M. as a sacred figure.

P.M. We accept the aim = try to spend no more next year than this. But some diff<sup>ce</sup>. on how precisely the whole gap must be closed.

#### Specific Proposals.

P.M. Agreed : £40 M. Misc. £10 M. agriculture. £8½ at. tests : £12½ + 5 from Defence Dpts. Total agreed £76.  
What of the other possibilities – £30 M. in social service field and a further £7 M. on defence.

#### Social Services

We have excluded school milk because impossible to collect money. This left family allowances, boarding charge, eyes, welfare milk & N.H.S. stamp.

I.M. Boarding charge and eyes – both need leg<sup>n</sup>. and are too difficult.  
For b. charge we shd. need to recruit 1.000 clerks in very grade whose pay is now in dispute. Hosp. boards wd. also be most unwilling to collect the money.  
Eyes : yield is much lower than Ty. assumed. For i) switch to hosp. eye service ii) considerable notice required, & forestalling wd. offset saving. Also contrary to pledges given : and funds of Friendly Societies were taken over on basis tht. this service wd. be provided by State.  
Welfare milk : anomaly tht. those, who need it more, wd. be paying more than those in schools. W<sup>d</sup>. be regarded as attack on children – and as such wd. handicap us in wages struggle.  
N.H.S. Stamp therefore alone remains. But we shd. be announcg. increase in very week in which latest increase enters into force.  
[Cd. be dealt with in Budget.] Printing : we cd. bring in by 1/7 but only by starting to print on assumpt<sup>n</sup>. of Parl<sup>y</sup>. approval.  
Thus : eyes & bdg. charge are impossible : welfare milk is poss. but wd. affect wages struggle : stamp is poss. tho' diff. before Budget.  
£30 M. cd. therefore be reached by £20 M. on stamp + £10 M. on milk.

Hail. Taking too narrow a view. £50 M. or so increase in Estimates won't shake us. Problem cd. be tackled in 2 bites – £76 off Estimates and changes of policy in Budget.

x| A promise to deal with deficit on N.I. Fund in this Parlt. And a threat to make  
| people pay by stamp increases any surplus of expenditure on N.H.S. over a given figure.

Confidence in £ turns on confidence in this Govt. That wd. be shaken if we attacked s. services by cutting back provision.  
Half of gap cd. be losed before Estimates publ<sup>d</sup>. The rest cd. be covered by x/.

J.M. Precipitate minor slashes on s. services cd. be sign of weakness vice strength.  
Unity of Govt. is far more important than exact amount of reduction in Estimates.

H.A. We cd. announce a firm plan to increase N.H.S. stamp by stated amounts in each of next 2 or 3 years until £50 M more of cost has bn. transferred to contributor.

Ch. H. N.I. – graduated scheme. } W<sup>d</sup>. assurance on N.H.S.  
– ceiling of £500 M. for Exchequer cost } these meet  
 } “psychological”  
 } need.

G.Ll. See weakness .....

Defence.

P.M. Estimates now stand at £1469 M.  
In what field cd. further red<sup>n</sup>. be made? Main ques : can any saving be made on Service pay etc., (£35 M.)

D.S. Was asked to find another £7 M. – from Estimates already v. severely pruned.  
Service Ministers offered the £5 M. because they felt so strongly that pay shd. not be touched.  
Satisfied we can't find another £7 M. W'out unacceptable damage.  
This bring us to soft spot of £35 M. inducements – actually £33½ M for £1½ M. has bn. announced. Ty. agree with me that announcing with effect at later date won't do. Have examined other possibilities. Dec<sup>n</sup>. on N.S. will have to be taken next summer 1958? : if recruiting isn't adequate by then we shall have to announce in autumn intent<sup>n</sup>. to bring in leg<sup>n</sup>. for selective service. We haven't much time. Dangerous therefore to delay inducements. They have bn. delayed already too long. We delayed in Sept. in belief we shd. get it in Feb. (Estimates). The inducements won't be regarded as excessive. Doubt if they are enough to get recruits. V. dangerous to reduce them. We cnd't offer more later.  
Estimates as now are nearly £50 M. lower than this year's out-turn.

M. Petrol? Estimate includes £20 M. for duty on petrol.

P.M. Alternatives on Service pay : Do it all : announce all but not to operate until 1/7 : bring in pay at once & defer allowances.

K. Announcement but deferred op<sup>n</sup>. conforms with general policy – on wages. W<sup>d</sup>. give £8 M. off Estimates. Wd. help recruiting.  
Suppose you took a deferred N.H.S. stamp – £12 M. Plus £14 on deficit on NI Fund + £8 on Service pay. This wd. yield total of £110 M.  
Must show determ<sup>n</sup>. to do somethg. which hurts, not merely defence.  
Must be seen to be dealing with inflation – social justice.  
Dangers of Govt. collapsing.

P.T. Big decision – realise difficulties.  
£153 in £5.000. Argument cuts both ways. Sh<sup>d</sup>. be possible to get so small a proportion off.

My duty : not to approve estimates over last year's expenditure.

Is there firm determination to close whole gap? Evidently we are not united in that, on basis of discussion.

Social services. Reductions are painful. They cdn't be defended save by full success viz., by holding expenditure to this year's. Can I be sure that £30 M. will be found in this field.

Defence. Can't have a sham £7 M. Cdn't announce & defer.

You cd. do allowances and defer pay, until Grigg Ctt<sup>ec</sup>. reports.

I wd. still want freedom to look everywhere else in Civil Estimates.

Thus : £76 agreed : £30 M. social services : £22 M. Service pay : £128 M. and look for balance of £23 M. elsewhere in civil Estimates.

H.B. Do nothing wh. impairs wages front. Look therefore for unsound elements in Budget viz., deficit in N.I. Fund must be cured : Service pay increase at present time : £30 M. more off investment wd. be wiser than attack on s. services.

P.M. Can't see why Service pay cdn't be announced as coming into effect on 1/7. Can't see tht. it wd. affect recruiting adversely.

Tho' I do see that, qua wages front, announcement wd. itself do the damage.

Which wd. you prefer to defer, if you had to – pay or allowances.

M. I cd. find more on capital expenditure. Less damaging than some of cuts we are now considering. On N.H.S. individual is paying already more than he can afford.

Adjourned – Resumed 10.25 pm.

P.M. Prolonged discussion – general & specific.

P.T. feels tht. his burden is such tht. he can't bear it unless colleagues share it with him. Discussions betwn Ty. & Dpts – traditional bargaining – spirit of it is inapt to these cond<sup>ns</sup>.

We have 7% Bank rate : we have undertaken to hold in money terms the investment on wh. our prosperity depends. Task greater than any nation has undertaken – since war : internal debt : external pos<sup>n</sup>. of St. area so hard to manage when members are independent. Natural therefore tht. a Ch/Ex. shd. feel not quite confident tht. we are all resolved to support him in battle v. inflation. But, if Ministers have raised other points, it's not because they don't attach same import<sup>ce</sup>. to that but because they have Dpl. interests to watch.

P.T. gave me written summary of his position. i) "Cab firm objective to secure no more exp<sup>te</sup> next year than this." Sure we shd. get as near as we can to that.

Pledge ourselves to that.

But can we achieve it w'out injury to our own purposes? Matter of judgement.

Suggest : by all possible means try to reach that point. But we shan't get exactly there by any proposals now before us. If we can get reasonably near, we cd. do the rest by "mirrors."

Real ques : are we firm on battle v. inflation? Will we stand firm in a strike? Is that not more important than Estimates?

"Substantially" is the key word. Or "by all possible means".

Now – methods. Cab. cd. not be asked to pledge raising specific sums fr. specific services. We have got £76 M. in 2-3 days.

He asks us to pledge £30 M. fr. social services & still leave him to seek more elsewhere. I cdn't pledge myself to any particular method. But wd. agree to raise £76 M. to £100 M. and as much more as we can. Five proposals made : cleanest was children's allowances. But that not possible for Tory Govt.

It was our great cont<sup>n</sup>. to s. services. i) Contrary to trad<sup>n</sup>. of our Party ii) so easily measured. To 3 M. it is 5% of wage. Incites to wage claims. Others – diff. in practice. Left with welfare milk and/or stamp. Milk : if necessary to make up balance cd. be considered. Stamp : not pol. practicable to propose further increase in wk. when last rise comes into op<sup>n</sup>. Therefore suggest this shd. be done in context of Budget.

I wd. not agree to take £30 M. off welfare – by savings or new charges. If P.T. were satisfied of intentions of Govt. it shd. not be asked for.

- \* I wd. say we must increase savings to £100 M. or even £110. \*
- Merge 2<sup>nd</sup>. & 3<sup>rd</sup>. cond<sup>n</sup>. of P.T. Seek to reach that target over whole field of Civil Estimates – under R.A.B.
- Defence. Assumed on Fri. tht. £7-9 M. more mght be found. Much concerned. Estimates cut v. low. D.S. has done well – at cost of diff<sup>y</sup>. with Services. Now lower than this yr's exp<sup>re</sup> and another £18 M. in last few days. Hesitate to ask for more. Gt. risks. Pay. End of N.S. is one of prizes open to us – economic as well as pol. value.
- At worst not more than 1% of total. Try for better.
- But don't risk disturbing T.U.'s Ch. allowances fail on that a/c. Milk perhaps. N.H.S. stamp – prs. later. If all that were accepted, I wd. ask M/Def. (by p'poning allowances or otherwise) to find another £7 M. or so.
- Maudling said will : (1) nat<sup>l</sup>. point of view we need £100 or more. 1% or less. (2) Govt. shd. not falter, by loss of some of its members. Complete disintegration of whole Govt. W<sup>d</sup>. ruin Party for 30 years. Not fr. unexpected misfortunate but our own fault. (3) Sterling must be preserved.
- Summary. Ask Cab. to sustain P.T. in battle v. inflation – esp. in main struggle when tempt<sup>n</sup>. to yield will be so much greater : viz., give them another 5%.
- I wd. not face that on basis we cd. be said we had provoked it.
- From whole range of Estimates seek £100 M. or £110 M.
- If that produced unity of purpose, I wd. ask M/D. to seek another £7 M. – pay or otherwise. Settle that before I leave, and let R.A.B. work further on Civil Estimates.

P.T. Not swayed by arithmetic. But determined to spend substantially no more.

C.C.4(58)

6<sup>th</sup> January 1958

1. Govt. Expenditure. [Enter E.H.]

P.M. P.T. has resigned. His lr. must be publ<sup>d</sup>. to-night, after Stock Exchange has closed – e.g. 9. p.m.  
Read P.T.'s letter. V. damaging – to £ and to Govt.  
Hope Cab. will agree we must go on together. Must think of future.

D.S. Gratitude to P.M.

Hail. That is view of us all.

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[C.C.5(58)-16(58) missed, during absence on P.M.'s Commonwealth tour to India, Pakistan, Ceylon, N. Zealand and Australia. 7<sup>th</sup> January to 14<sup>th</sup> February 1958.]

C.C.17(58)

18<sup>th</sup> February, 19581. Commonwealth Tour.

[Enter E.H.,

P.M.

Gratitude to colleagues, esp. L.P.S., for holding fort during my absence. Govt. did v. well in Parl<sup>y</sup>. debates. Econ. debate : Bank rate enquiry. Political situation now. Diff. period ahead – mainly psychological : as during war, when things were going wrong. Both in foreign & domestic affairs. Foreign : 12 yrs. post war : compares with 1930 : generation resentg. not being in war & suffering sense of frustration : little prospect for the young – mounting armaments etc., : religion not there to sustain them – not so much faith or courage as there was. Hence clutching at straws : banning H. bomb., summit mtg etc., We must not discourage these people. In F.A. debate shall try to strike discordant note of unity in the country by speaking of these larger issues. Domestic : I never supposed our economic measures wd. be other than unpopular. We must persevere : win wage battle, keep things steady – and watch for moment when some fruits of this policy can be brought forth – diff. timing. Seek new note of confidence and buoyancy. Must try to get more time to think. Punch-drunk with red boxes. More delegation to Junior Ministers and to Cab. Ctt<sup>ees</sup>. We must get a second wind. Sure it was right for me to make the tour. Helped to avoid damage to £. Statistics of tour. Began with Asia. In India Nehru set himself to make it a success. Public demonstrations were striking – and unique. Leaders taking more balanced view of past & of Br. connection. Gt. hope of holding these people. 5 yr. plan must be made to succeed. Australasia. Old Doms. needed interpret<sup>n</sup>. of new : I attempted to do this : we can get them interested in this new theme. Depth of loyalty : determination to stay British (migration) – and B. capital for developmt. Tory Party : party of Empire, puzzled about Commonwealth. Can we create new mystique so that Tories can spk. with conviction of new Commonwealth.

R.A.B.

Gt. appreciation of P.M.'s cont<sup>n</sup>. to Comm. and to Govt. Diff. dec<sup>n</sup>. – proved correct by events. Success of tour reflected in U.K. Press. Service to Comm. due from U.K.

H.

Every report from Doms. stresses significance of visit. Conveyed to India our sympathy with their long-term objectives. U.K. is responsible for liberal India influencing Asia to-day.

D.E.

More publicity for prep<sup>ns</sup>. for Comm. Economic Conference.

P.M.

Prs. mtgs. on this with selected journalists.

Foreign Affairs.2. a) Tunisia.

S.Ll.

Sit<sup>n</sup>. threatening, has bn. surmounted. Request for mtg. of S.C. won't be w'drawn, but disc<sup>n</sup>. may be formal – ending in adjournment. On 'good offices' some diff<sup>cs</sup>. betw. us & U.S. : they want to make affirmative proposals : we want to get 2 sides talking together. Must try to keep Algeria out of these discussions.

b) Sudan.

- S.LI. E. are prob. right re frontier – tho' wrong to use force. Sudanese are angry. Better for us to avoid leading part in this. No special oblig<sup>n</sup>. on U.K. to help Sudan to resist aggression.
- Hail. Attractive for us to be supporting an Arab nation v. aggression.
- S.LI. Wiser to wait for some other Arab State to help them first. We cd. then join in.

3. Ballistic Missiles.

- D.S. Discussed with P.M., who asked Eis. to accept amendments desired by Cab. Reply now in, accepting our suggestions. Agreement due to be signed in W'ton. Sh<sup>d</sup>. it follow F.A. debate? If so, we cd. sign Thurs., Fri. or Mon. H/C. will expect statement & W. Paper as soon as agreement signed. Desirable fr. Govt. angle, too, since U.S. will publish at once.
- S.LI. Sign Fri. : statement promising W. Paper Mon.
- I.M. Better wait until Monday.

Agreed : ask U.S. to sign on Monday in time for statement at 3.30 p.m.

4. Cyprus.

- S.LI. Memo. describes my conversation at length. Believe there is a glimmer of hope. T. may accept base & internat<sup>l</sup>. safeguard for their minority. G. may accept on basis of Island being unit and having chance of developmt. to self-govt. – also with internat<sup>l</sup>. guarantees. As there is a glimmer, we must pursue it. Recommend therefore p'poning original statement : initiate further talks with T., presumably in Ankara, on base & timing. If their views on this are reasonable we cd. make an offer, askg. them in return to abandon claim to partition. At same time, we shd. consider implications of T. base and constitutional developmt. in Island.
- D.S. Anxious for settlement because of continuing heavy mil. commitment. If T. police were not giving loyal support, we shd. have to re-inforce. But worried – as are C.O.S. – at consequences of having T. base while we are still responsible for law & order in C. Legalised inlet for arms smuggling to T. in Island. Worse still if G. base. Unless confident tht. T. and G. accept pos<sup>n</sup>. as final and will not abuse facilities.
- P.M. Physical establ<sup>mt</sup>. of base shd. not occur until stage when our respons. for security is about to end.
- S.LI. T. wdn't accept if date for establ<sup>mt</sup>. were unduly p'poned. We cd. however make cond<sup>ns</sup>. re base. C<sup>d</sup>. prs. be demilitarised until we go. There will have to be Treaty – 3 Power or with U.S. as guarantor – before T. base is created. That wd. be some safeguard.



- Hail. If it turned sour, we cdn't m'tain law & order : shd. have to retire to our base.
- R.A.B. Alternatives : reassert our supremacy & rule, coute que coute.  
or give T. a base. This means a constitutional plan to begin at once : 7 year gap is impracticable now.
- P.M. Agree : we must now go for a settlement, as a deal. We can't any longer plan for a developing situation over 7 yr. period.
- H.A. What about tri-dominium now?
- A.L.B. Favour that. Not, however, inconsistent with facilities for T. base hereafter.
- S.Ll. Indications in G. and T. are that settlement may be reached if it's done quickly. Need also for us (qua home opinion & foreign) to announce a policy soon.
- P.M. D.S.'s fear is understandable. But do T. really want to seize whole island by infiltration by a base? Believe all they want is to prevent island being used by others v. them.
- D.S. C<sup>d</sup>. we not work constitution on promise tht., if it went twds. Enosis, T. wd. be given a base.
- A.L.B. T. wdn't support that. Hypothetical – and possibility of Labour Govt. in U.K.
- P.M. On S.Ll.'s plan, you might get a settlement – wh. world wd. welcome. Wtr parties cheated on it thereafter, no one can say.  
But if T. fear is genuine, grant of base wd. enable them to relinquish other interests in Island i.e. partition.

Agreed : S.Ll. to pursue negotiations with T. on basis proposed.  
Paras. 4 and 5 of memo. approved, for study.

[Enter Att. G., P., A.N., Selk.

5. Territorial Waters.

Note not taken.

C.C.18(58)25<sup>th</sup> February, 1958

1. Foreign Affairs. [Enter E.H.]

a) Summit Meeting.

S.Ll. German For. Minister has bn. spkg. on disengagement lines.  
U.S. more flexible on procedures.

P.M. Have sent message to Eis. – haven't had his reply.

b) Tunisia.

S.Ll. Murphy has found Fr. v. inflexible. Sit<sup>n</sup>. deteriorating. Fr. ought to decide to re-conquer or w'draw : they are dithering.

P.M. We must be cautious in handling French.

c) Comets for Egypt.

S.Ll. We want markets for these. But earlier thght we shdn't sell prestige goods to E. until financial settlement reached.

P.M. Payment v. blocked sterling wd. reduce amount for claimants. Better look at this.

S.Ll. Believe it wd. be paid from earnings – No. 1. Sp. A/c.

P.M. If so, let it go ahead.

d) Middle East.

H. Wright's sugg<sup>n</sup>. of Developmt Corp<sup>n</sup>. Echoed by Hammerskold. Is this opportunity for U.K. initiative – before Summit mtg.

S.Ll. Hard to get Iraq and Kuwait into this. Nuri much v. it : hadn't enough money for own developmt. Kuwait remits to U.K. – doesn't want to get drawn into pol. diff<sup>ies</sup>.

D.E. W<sup>d</sup>. involve transfer of money fr. our friends to our enemies.

S.Ll. Mght get Kuwait into econ. union with Iraq/Jordan – w'out pol. assoc<sup>n</sup>. – with approval of Saud. Will consider this further.

[Exit E.H.]

2. Artificial Insemination.

R.A.B. Legal muddle. On social ques. Churches divided, save R.C. Don't know what to do : suggest Ctt<sup>ee</sup>. of enquiry.

K. Propose to say in H/L. that enquiry is needed to assemble more inform<sup>n</sup>. esp. on social side.

Legal issues are v. complicated. Apart fr. adultery, there is nullity and illegitimacy.  
Can't propose leg<sup>n</sup>. without further examination.

- D.S. Is (b) necessary in t. of r.? Why imply readiness to prohibit.
- Ch.H. Support that sugg<sup>n</sup>. Practice w'in family has gone a long time. Prohibition or regul<sup>n</sup>. will cause resentment.
- M. Running into trouble?
- K. Must at least legislate on some points.
- P.M. Look at reports we have had, and can't act upon, e.g. Wolfenden Rpt. Why bring this fresh trouble on our heads?  
Suppose the Ctt<sup>ec</sup>. recommend prohib<sup>n</sup>. or regul<sup>n</sup>. We cdn't enforce it.  
C<sup>d</sup>. we not limit the enquiry to study of legal aspects only? Don't get into ques of morality. Report on that just before Election won't be helpful. Anyway, what prospect of agreed report?
- R.A.B. x/ Restrict it to "legal consequences of existing practice."
- K. Shall still have to say we need an enquiry. Can say t. of r. need v. careful thought – in light of views in debate.

Agreed : as at x/.

3. Roads Programme.

- H.W. Firms have bn. consulted & say the industry cd. manage all the projects un-starred in my list, w'out damage to export industry.  
These are all in my p'mme. Seek auth<sup>y</sup>. to announce them in due course – save tht. Severn [& Forth ??] shd. not be announced before consult<sup>n</sup>. with M/Welsh Affairs. and J.M.
- H.A. This (industry's capacity) is only one aspect. There is also burden on our economy. Cab. said no announcemt. before cap. inv. p'mme reviewed in Apl. H.W. trying to move too fast.  
Costs of Forth, Severn & Blackwall. Ty. have no inform<sup>n</sup>. on last.  
\* No obj<sup>n</sup>. to announcemt. of Tyne.  
P'pone announcemts. on Severn & Blackwall pro. tem.
- H.W. When Forth tenders are announced, we shall be under intolerable pressure re Severn.
- J.M. But that won't happen until June.

Agreed : Tyne can be announced.  
Take others in Apl. review of investment p'mme.

C.C.19(58)

27<sup>th</sup> February 1958

1. Parliament. [Enter E.H.]
- R.A.B. Business for next week. [Enter S., P., Str.]
2. British Forces in Europe.
- H.A. Estimates assume £47 M. of support costs fr. G. N.A.T.O. has bn. favourable to us – & report of the 3 was sympathetic. Don't want to alienate that support. G. have recently made offer which mght be tolerable for 1958/59. Not yet certain what is meant by it.  
P.M. has discussed with Ministers concerned.  
i) £45 M. debt repayment wd. not help b/p. because £67 already deposited in Ldn., but wd. show in Budget above the line.  
ii) £50 M. twds. defence orders – wd. be only 12/18 months ahead of due dates.  
Propose we accept this for 58/59 subject to amendment plus a statement of our intentions for the future – 5 brigade groups for 3 years beginning 58/59 (viz., 45.000 vice 55.000 to which we are now aiming to run down.)  
Propose first to seek support of U.S. and consult Spaak  
M'while we wd. alone consider stream-lining Br. forces to reduce use of G. labour to minimum.  
Cost of m'taining 5 brigade groups wd. be £37 M. of which we wd. hope to get £12 M. p.a. thro' N.A.T.O. 4 brig. groups wd. cost £32 M.
- S.L.I. Fatal to NATO if we carried out threat to w'draw our forces. Choice therefore is to go for this year settlement only or seek 3 year basis at cost of £20-25 M. p.a. on U.K. b/payments.  
This offer gives NATO & G. time to work out means of relieving us.  
Will consult Spaak. W<sup>d</sup>. like also to enlist support of Norstadt.
- H.A. Can't avoid this. But heavy cost – in period when we have substantial debt repayment to meet.
- D.S. 4 is bare minimum for our cont<sup>n</sup>. to NATO. 5 is more sensible. C<sup>d</sup>. not accelerate run-down : wd. be v. hard to get down to 4.
- P.M. We are in v. gt. difficulty. i) Our legal oblig<sup>n</sup>. is to keep 4 Divns. ii) We can't w'draw our men because nowhere to put them. iii) Diff<sup>ce</sup>. in cost betwn. 4 and 5 brigade groups is only £2 or 3 M.  
Must break stalemate – while we have sympathy of N.A.T.O.  
W<sup>d</sup>. be error to seek formal release from i).  
Understandings: a) Run-down of Army generally to be accelerated.  
b) 77.000 Br. in BAOR & 2<sup>nd</sup>. T.A.F. 52.000  
Germans in support. We must reduce the prop<sup>n</sup>. in support.
- J.H. a) will be difficult. On b) I believe there is scope for economy.

[Enter Att. G.]

3. Territorial Waters.

Att.G. Propaganda by R. Lobbying behind scenes.  
We may get more support for 3-mile limit than we thght, but can't carry it.  
U.S. supportg. Canadian plan – wh. was devised to prevent U.S. trawlers from  
fishing inside theirs on c. seabord. C<sup>d</sup>. this be overcome by bi-lateral agreemt.  
Chances of holding 3-mile limit are small. Tho' 2/3rds. majority is required.  
Sh<sup>d</sup>. we therefore support U.S. line? We doubt if it will stave off extension of 3-  
mile limit. Two ques are being handled in diff. Ctt<sup>ees</sup>. Have so informed U.S.  
Delegate. He has no fall-back position. Our support mght increase chance of  
U.S. plan being accepted. But that wd. weaken our case in Int. Ct. against an  
individual State wh. claimed fishing up to 12 miles.  
Believe best chance of compromise is 6 miles all round. Worth trying for that.  
U.S. defence people oppose it – think it contrary to our own interests. But wd. be  
better to run one compromise than two : & we wd. sooner see U.S. join forces  
with us on 6 miles.  
x| Can we have auth<sup>y</sup>. to work for 6 miles – subject to right of passage for  
| aircraft & warships betwn. 3 and 6 miles.  
Proposals will be made on nuclear tests. This will involve long debate. May be  
tht. whole conference may break down in consequence – because no agreemt. can  
be reached in 10 weeks allowed for conference.

J.H. Agree tht., if defeated on 3 mile, best course wd. be to try for 6 miles.  
If conf<sup>ce</sup>. breaks down, what is effect?

Att.G. Influence on view of Int. Court in determining individual cases.

H.W. Best to avoid any vote on terr. waters – & keep status quo.

Att.G. Little chance of that.

H.W. Agree 2<sup>nd</sup>. best course is to go for 6 miles.

D.S. Vital that, if 6 miles, we shd. get provisos at x/.

Att.G. Hope we can approach U.S. Govt. on 1 compromise proposal (6 miles) vice two.  
– subject to concurrence of their Delegate.

(I will tell our friends we can't support 12 miles for fishing.  
(Our fall back pos<sup>n</sup>. is 6 miles, with provisos.  
Agreed. (I will keep Cabinet informed.  
(Approve last 5 lines of Att.G. paper.

H. C<sup>d</sup>. prob. influence India to support 6 miles.

[Exit D.S. & 4 invitees.

4. Agriculture Bill.

P.M. Are we sure we shd. go on with this?

J.H. Have adjusted Bill slightly in favour of tenants.

Agitation v. removal of Part II has subsided – was artificially provoked by N.F.U.'s On security of tenure agreement with NFU's. Back-benchers unanimous in favour of going forward.

Str. Urgent need to rectify inheritance position in Scotland. Recognised to be unjust. Tho' there will be controversy.

R.A.B. Feeling has died away a little.

HA. We shd. lose more prestige by going back now than by going on.

5. Nuclear Power. I.B.R.D. Loan.

H.A. My predecessor was keen on this. I am equally keen. Sh<sup>d</sup>. lose no chance of supportg. reserves on long-term basis – & this wd. be 20/25 yrs. Black will be here next week : we must give him an answer. He has said we cd. prob. get more later than initial loan of \$50 m each from Bank & market. Prefer both loans to be raised by industry – tho' if that proved disadvantageous to us loan on market cd. be obtained by Govt.

M. Para. 1 of my memo. concedes tht. there may be over-riding case on financial grounds. But I don't w'draw obj<sup>ns</sup>. set out in para. 2. People will think we can't do it w'out this help. Danger of refusal on technical grounds – wh. cd. be v. damaging. Para. 3. Hope Govt. will raise the loan on market – cheaper, less complicated and wdn't need leg<sup>n</sup>.

H.A. On last point have no hard view.

R.M. Share psychol. fears of M. But can't push them too far in view of our dollar diff<sup>ies</sup>. Think it wd. be mistake to force industry on to Wall St.

S.Ll. Are the political risks worth taking for \$100 m.? Effect on Congress? MacMahon Act etc.,

P.M. Worried about chances presented to U.S. atomic people to get their knives into our affairs – to discredit our achievements & throw doubt on our future. c. Zita story : v. discreditable to U.S.

Discussion adjourned.

C.C.20(58)

5<sup>th</sup> March, 1958

1. Parliament. [Enter A.N., E.H.]
- R.A.B. Business for next week.
2. Summit Meeting.
- P.M. Last 2 R. moves – note to French : publ<sup>d</sup>. : note to U.S., not publ<sup>d</sup>. They are discrepant. Also mtg. in W'ton with R. Amb. Rec<sup>d</sup>. on Mon. from U.S. summary of their reply to R. note – wh. was to go to N.A.T.O. (That met last p.m.) I thght it v. negative : made some sugg<sup>ns</sup>. to W'ton : reply W'ton 518. Full text of F.D.'s conference in Tunis : balanced and leaves much open. NATO mtg. adjourned until to-morrow. U.S. original line : prep<sup>n</sup>. proposed are inadequate : para. 3 inaccurate reference to R. "agreement" on unification of G. : can't agree to conferences excludg. subjects not desired by R. : – whole tone was pretty negative. My 4 points to U.S. Importance of 2<sup>nd</sup>. : an agenda with some items below the line to be taken if time permits. Priority in agenda. This means some discussion of substance by For. Ministers. U.S. comment on this in W'ton 509. F.D. will be stiff because he thinks R. want it & may make some concessions to get it. Hope reply will not appear to close the door. No harm in its re-stating pos<sup>n</sup>. firmly, if it seems to be step in a stiff negotiation.
- H. Awkward if U.S. make it cond<sup>n</sup>. tht. re-unification of G. shd. be among items for serious discussion. For we might make some progress on disarmament.
- R.A.B. Public anxiety points to import<sup>ce</sup>. of holding summit mtg. But I can't see much prospect of it's achieving practical success. On G., what is our attitude to disengagement? Can we have F.O. study. On nuclear, are we going for abolition of nuclear tests?
- D.S. Spaak thinks F. will have to accept cessation of tests, even if not combined with cut-off of production.
- P.M. My main anxiety is tht. U.S. reply shd. not be such as to enable R. to say that West don't want this mtg. V. bad if we were put in pos<sup>n</sup>. of asking R. to re-consider that pos<sup>n</sup>.
- D.S. I wd. prefer to go fwd. on disarmament & nuclear tests rather than disengagement – wh. seems to me v. dangerous.
- I.M. V. dangerous to Tory Party if we don't have Summit Mtg. Fearful of F.D.'s attitude.
- Hail. Much disturbed by state of public opinion in U.K. Reminiscent of Fulham Bye-Election, Oxf<sup>d</sup>. resol<sup>n</sup>. Peace Pledge Union – all of wh. helped twds. 2<sup>nd</sup>. world war. Tory Party then failed to control that movement of opinion. We mustn't fail again. F.D. mustn't make it more diff. for us by ignoring strength of this opinion in U.K.
- H.W. U.K. wd. support P.M.'s readiness to have mtg. on Disarmament alone. Any chance of getting U.S. to accept that?

P.M. Curiously, European opinion is not alarmed. U.K. are playing lone hand. We alone are trying to persuade U.S. to do, for us, somethg. they don't really want at all.

H. Agree – get disarmament at top of Agenda.

H.B. Failure of Tory Govts in 1930's was to put the truth to the public. Have we done enough to show we have constructive disarmament policy & that left-wing view on that is impractical.

K. Can we persuade U.S. tht. this mtg. can only be first of several. Avoids pinning too much hope on one. Also mght make it easier to have first mtg. on disarmament.

P.M. Para. 7 of W'ton Tel. 510(?)  
We & U.S. are not so far apart as F.D.'s Press Conference suggests.

[Exit E.H.]

3. Egypt.

H.A. Proposals in memo were put to E. Deleg<sup>n</sup>., who have now referred them to their Govt.

Summary of proposals.

Settlement on this basis wd. be advantageous to us. Our diff<sup>y</sup>. will be with owners of sequestrated property, who will be dissatisfied with E. awards on damage and will press for further compensation from Exchequer. S's deputation will say that their immediate hardship ought to be relieved.

R.A.B. Don't think we can do better. But will be hard politically to persuade claimants to go for E. compens<sup>n</sup>. first, before any ques of Exchequer compens<sup>n</sup>. is entertained. We must distinguish betwn. the two v. clearly.

Hail. Have played that line. But S. says a moral principle is involved because Suez was act of U.K. Govt. policy & Govt. shd. therefore compensate claimants 100%.

P.M. Must present this as a deal. E. get £17 M. net of their own money. We get £30 M. to meet claims on nationalised property – & we believe that is more than enough : & also there is neutral arbitration. Shell is out of it. Thus, it's v. nearly compens<sup>n</sup>. in full for the nationalised property. On sequestrated – E. offer to return it can't be bettered. Damage will in add<sup>n</sup>. be compensated : must make it clear that damage is only for damage done after sequestration. On transfer across exchanges – £5.000 in each case is pretty good, & will meet most small cases.

Hail. Endorse proposals in memo. But in due course believe we shall have to pay, prs. more than we need, in compensation. Agree that is a later stage : but H/L. will press for speed in reaching it.

P.M. A good bargain : to our long-term interest as trading nation : not likely to redound to E. credit in Arab world – N. can't represent it to them as triumph. Finally, on claim for war-damage/base : N. can't go to Int. Court.



C.C.21(58)

11<sup>th</sup> March, 19581. Malta.

[Enter E.H., O.G.]

- A.L.B. Not now practicable to adhere to original time-table. Have told Mintoff. Am discussing with him financial ques. But he may ask our intent<sup>ns</sup>. on integration. I don't favour w'drawal if he behaves reasonably. An imposs. moral pos<sup>n</sup>. & inconsistent with Commonwealth theme.  
 Alternatives : i) White Paper : but wd. include ref<sup>ce</sup>. to integration and cause a storm in Party.  
 ii) Leg<sup>n</sup>. having effect later. M. wdn't accept that.  
 But these may be academic. For M. may now a) attach cond<sup>ns</sup>. to financial settlement because of uncertainty over d'yard. b) seek dissol<sup>n</sup>. on platform of complete severance fr. U.K. – tho' Treaty later on Libyan model. Believe M. wd. win. We wd. then have to revert to direct rule.  
 One other course – to revert to 5 yr. moratorium plan. This wd. give them all the econ. provisions : decl<sup>n</sup>. of intent<sup>n</sup>. on integration but p'ponement for 5 yrs. He won't accept. Dangerous to put it forward.  
 Decision for to-day : if he behaves reasonably, can I say that we stand by integration tho' time-table will need to be changed.
- P.M. Reasonable behaviour – w'draw resol<sup>n</sup>. : accept red<sup>n</sup>. next year at £1M. because can be raised locally : return carry-overs of £450.000 from 1957 Budget : dockyard – accept there is work for 3 yrs : about same level until 1960, and some adm<sup>y</sup>. work thereafter for private firms in d'yard.
- H. Any chance of p'poning integration at cost of increasing financial aid.
- K. Can't afford to lose Malta – esp. now there is risk of Nasser empire in N. Africa. We ought therefore to seek support at W'minster for integration. Thus, if he is reasonable now, we ought to go on with it. Labour wd. drop their criticism of M. if it cd. be shown that we had bn. mean.
- R.A.B. C<sup>d</sup>. only get it thro' by Socialist votes. That can hardly be represented as a success, for us. Opp<sup>n</sup>. among our supporters has bn. increased by M.'s behaviour. On the whole, it wd. be best if hand cd. be so played so as to avoid having to proceed with integration.
- H.A. Yes : wdn't be regarded by Party as a Imperial success.
- H. Or by the country.
- H.A. Therefore, best to get twds. moratorium.
- J.H. Agree : play for that.
- I.M. We can't afford, politically, to put this thro' by Socialist votes.
- Hail. Party is against it. We must keep our word. But avoid having to do so if we possibly can.
- P.M. Mintoff can't be allowed to play fast & loose. If he behaves reasonably now, doubt if we need give direct answer on integration question. Equally, don't like

to break on £1M. Bring out that dockyard sit<sup>n</sup>. hasn't yet arisen : emplt. there will continue at least until 1960.

Can we not say we shall have to consider situation in view of all that has bn. done & said in Malta m'while. That wd. be reason for moratorium. Avoid dropping integration as consequences of argument on money.

M'while, say no more on integration than – must consider that with my colleagues. M. has come over to discuss money.

A.L.B. But amounts are bound up with money. He is now £2M. short of what he wd. get under integration.

Hail. My inform<sup>n</sup>. is tht. he has come here to seek a casus belli. Let us play it long.

A.L.B. Even so, my moral pos<sup>n</sup>. is stronger if I can say we stand by our pledge on integration.

P.M. We shd. not take initiative in going back on integration plan.

We shd. not drop it in consequence of disagreement on £1M.

x| Better to ask him to write down exactly what he means to do, on integration,  
| & promise to consider it with colleagues.

Mere w'drawal of resol<sup>n</sup>. can't cancel whole effect of its having bn. moved.

Hail. Don't try to buy M. out of integration. If we do, we'll be buying him all the time.

P.M. If ques is raised, push initiative over to him as at x/ – on a/c of his recent behaviour. Avoid direct answer yes or no.

Agreed : pro. tem. as at x/.

E.H. Party situation is v. bad. Deeply split. Worse than over Cyprus. We can't allow it to run on for long like this.

2. Northern Ireland : Unemployment. [Enter A.J.]

R.A.B. Draft letter gives Brookeboro' as much as he can hope. But we can give this much.

A.L.B. Malta will pray in aid what is said here about d'yard.

J.M. It will also have repercussions in respect of development areas in Scotland.

H.A. Can't oppose this qua N.I. But reserve my position on repercussions.

P.M. Let us have a report from Chandos on position – progress and prospects. Let Minister who appointed him call for it.

[Exit A.J.]

[Enter Att. G., Allan.]

3. Territorial Waters.

Att.G. Memo. written on assumpt<sup>n</sup>. we cdn't hold to 3 miles. But sure we shd. fight for it as long as possible – & hope U.S. will do so too.  
Debate on fishing will be held first. Ask therefore for auth<sup>y</sup>. to say then tht. we oppose any extensions for that & advocate conservation instead. W<sup>d</sup>. hold our pos<sup>n</sup>.  
Since then, however, Tel. 65. Advice : better no conclusion.  
Also Tel. 68. Fair chance of blocking 12 mile terr. limit.  
Cuban Delegate doubts if Latin Americans will be content with 12 miles.  
Thus U.S. compromise of 3+9 is unlikely to succeed. W<sup>d</sup>. gain more support than 12 m. limit.  
Our policy shd. therefore be to go on fighting for 3 m. limit – oppose any further area for fishing – put fwd. conservation proposals – get blocking majority – discourage U.S. fr. putting fwd. their compromise. W<sup>d</sup>. like auth<sup>y</sup>. to put our 6 m. plan, much later, so as to appear constructive: and thus to get blocking minority of a worse conclusion.  
Immediately, seek auth<sup>y</sup>. i) to speak more strongly v. extended area of exclusion fishing.  
ii) to inform U.S. of Our attitude on that in order to prevent them from submitting their compromise.

J.H. V. dangerous for us to support U.S. compromise. Support Att.G. on both points.

P.M. Approve att.G.'s proposals.  
I will so inform Pres. Eisenhower.

[Exit Att. G. Allan.

4. Farm Price Review.

Adjourned until 3.30 pm.

C.C.23(55)

13<sup>th</sup> March, 1958

1. Parliament. [Enter E.H., O.G.]

RAB. Business for next week.

2. Industrial Disputes : Busmen.

I.M. Nothing to m'tenance, garage workers or others outside c. London. To drivers & conductors in c. Ldn. 8/6 a week. Satisf. award. Good case for rise – none since Sep. '56. This is 4%. But not on c/living basis : recognition of special skill & diff<sup>y</sup>. of work. Unanimous award.  
If L.T.E. stand on this, Union will prob. not strike. Don't expect major strike.

H.W. Will cost nearly £1M. Ldn Transport have agreed plans to save £3/4M. by economies & cuts in services, and the balance by removal of fare anomalies. Phased over 6 months.  
Agreed – stress that it is specific award for special skill ; & will not cause general increase in fares.

P.M. Even more – stress that money won't be found by increasing deficit.

H.A. Avoid publicity as 4% increase. Put it as x % increase on total wage bill.

I.M. C/living index – publ<sup>d</sup>. to-morrow – steady again for 4<sup>th</sup>. month running.

P.M. 1. Each side has to consider wtr they accept. No more money  
Omit unless → [2. 2½% on total wage bill].  
someone says 4% 3. But not qua c/living : skill and stress.  
Soft pedal on “no increase in fares”. So long as there is no increase, no harm in having a little public anxiety over this. Mght even help to avert strike action.

I.M. Don't mention 2½% at all. Tribunal may turn down rlway claim altogether.

P.M. Don't seem too pleased. They will say we have rigged the arbitration.

3. Summit Meeting.

P.M. Revised U.S. draft reply was better. Thght it wiser to thank them for some improvement.  
After Cab.'s last mtg I sent Tels. 141, 142 to W'ton.  
Have just heard F.D. doesn't like it. But I shall continue to work for somethg. on lines of W'ton Tel. 142. Shall not send further message to U.S. until I have talked to S.Ll., who will be back at week-end.  
General support in Cab. for outline in Tel. 142.

O.G. Most of our Allies don't want the pace to be quickened.

C.C.24(58)

18<sup>th</sup> March, 1958

1. Farm Price Review. [Enter E.H.]

H.A. Views of N.F.U.'s as submitted by letter. "No purpose in continuing discussions".  
Proposed that Minister shd. announce "imposed" settlement at reduction of £19 M. on Thursday. Wh. Paper for Cab. to-morrow.

J.H. Propose to add (no cost to Exchequer) small concession for quality bacon – will give a little help to N. Ireland.

H.A. £1.297M. = total value of guarantees : this is background for £19M.

R.A.B. Still worried about some points in draft Wh. Paper.

P.M. Ch. Hill to watch publicity.

2. Territorial Waters. [Enter S., O.G.]

P.M. U.S/Canada are now going to put fwd. their 3/12 mile compromise. Att.G. suggests we remain silent at this stage. But a) U.S. will be upset if we later oppose it. b) U.K. will seem to be abandoning their fishing interests.

S.Ll. If it secures simple majority, we shall enrage U.S. by opposing it later, to avoid 2/3rds. majority in plenary.  
We cd. move amendment.

J.H. We can't support U.S. plan : we shd. therefore tell them. And in disc<sup>n</sup>. we shd. state our view w'out lobbying for it : i.e. we favour 3 m. with no extension for fishing.

P.M. {Instruct Att.G. to make it plain in Ctt<sup>ee</sup>. tht. we favour 3 and don't favour  
Agreed. {extension for fishing. For answer to para. 5 is that it isn't politically tolerable.  
Don't authorise him to act on para. 8., if confused situation arises, without referring to me – tho' to save time he cd. start an argument on 6 with military rights for 3.

H. Why not let it founder?

P.M. For fear tht., if majority settled on 12, states might act on it unilaterally.

Hail. No juridical right : we cd. take them to Int. Court.

[Exit O.G., S.]

3. Foreign Affairs.

a) S.E.A.T.O.

S.LI. SEATO. went well. Concent<sup>n</sup>. on counter-subv. and economics, vice mil. organ<sup>n</sup>., was welcome.

b) Iraq.

S.LI. Serious crise de nerfs. Remedy – spaced dollops of short-term aid – as tangible evidence of support.

c) Tunisia.

Improved. Elements of a deal are now emerging. Looks encouraging.

d) German Support Costs.

S.LI. Let this simmer until Adenauer comes to Ldn. in April.

e) Summit Talks.

S.LI. F.D. gave me v. legalistic memo. I gave him P.M.'s in return. We have evolved a compromise document summarising Western pos<sup>n</sup>. F.O. Tel. to W'ton 1484.

P.M. If U.S. wd. agree to that we have something we can stand on.

I.M. C<sup>d</sup>. we somewhere include a specific date – e.g. in para 6. for start of diplomatic exchanges in W'ton.

Agreed : Send this sugg<sup>n</sup>. to W'ton, e.g. 2 wks after agreement in N.A.T.O.

f) P.M.'s Visit to Washington.

P.M. Announcemt. of my visit had to be made in a hurry because of a leak.

4. Wages Policy.

I.M. Memo. originated fr. disc<sup>ns</sup>. 12 mos. ago. These led to Cohen Ctt<sup>ec</sup>. New thought wh. emerges here is “guiding light”. Not v. keen : but prs. worth ventilating. No prospects for 2 mos. or so in any approach to employers on T.U.'s – round of appl<sup>ns</sup>. are going on. Must consider other means of floating the idea – even a lr. in Times.

Ctt<sup>ec</sup>. of Ministers wd. waste their time until we are more clear about new claims.

H.W. 2% or 2½% wd. not be tolerable for rlways - £9 M.

H.A. Hoped to get a lead – guiding light fr. Cohen Ctt<sup>ec</sup>. Not keen on having it fr. Govt. Ctt<sup>ec</sup>. of Ministers mght consider it – but not now. Danger of its being a floor, not an average.

Debate in H/L. later (as H. suggested) might be useful.

- D.E. Guiding light wd. build inflation into Govt. policy. As it is, we can at least treat it as somethg. which has happened. Can't give all results of increased productivity to increased wages.
- Hail. I'm against it too.
- M. This is no time for any new initiative on wages.
- H.W. Not so much against it – can't accept effect of arbitration. Sh<sup>d</sup>. study problem.
- R.M. Can't leave wages problem alone. No other remedy. Ctt<sup>ee</sup>. of Ministers shd. consider – hope somethg. else may be found.  
For real reason is full employmt.
- I.M. Agree : must go on thinking.
- K. We can't abdicate. Must think further.
- R.A.B. Consider paras. 16 et seq of officials' report. If somethg. cd. be found there, might be a basis for joint approach. Cohen's Rpt. won't provide such a basis.  
  
(1) First therefore see if there's any way of getting T.U.'s into review of classic U.K. methods of wage negotiation.  
(2) If that fails, review conciliation machinery. Whitley must be reviewed. (3) Then prs. we cd. tackle arbitration.
- I.M. Opportunity for serious talk with T.U.'s this summer : on ques wtr we put in perm. leg<sup>n</sup>. on compulsory arbit<sup>n</sup>., when D.R. disappear, or wtr we abandon it.
- P.M. Thus – at this particular moment of wages struggle, it wd. be mistake to take any new initiative. Keep guiding light, pro. tem., under bushel.  
But we can't rest there. We want expansionist policy & full emplt.  
[Tho' recession threatens.] How do we achieve it w'out excessive wage awards?  
How do we face next round, in autumn, w'out continuing or resuming restrictive policies.  
Arbitration is no guarantee. We cdn't expect to do again, or in a bigger case, what we did to N.H.S. clerks. (1) We must at least consider that problem i.e. Whitley machinery. On RAB's (1), time isn't ripe for it, but we can't let it be overlooked. Let H.A. follow this up, under aegis of E.P.C.
- H. Can we have study of pros & cons of a link with c/living. – with experience of other countries.
5. Malta.
- A.L.B. M.'s view now on integration is that Malta wd. remain free to go out into independence at any time after U.K. leg<sup>n</sup>. passed – on ground tht. full equivalence hadn't bn. achieved.  
I am mtg. him once more on prospects of emplt. in dockyard.  
He is going back to full econ. equivalence as condition of integration. He says we have “deserted” this. And now wishes to discuss independence. I shall make it clear we don't tolerate this.

UNCLASSIFIED

P.M. Opp<sup>n</sup>. have asked to see me. I've said I can't see them, at any rate until after dinner. Will have to see them to-morrow, or Thursday. With K. and A.L.B.

UNCLASSIFIED



C.C.26(58)

27<sup>th</sup> March, 1958

1. Parliament. [Enter E.H., O.G.]

R.A.B. Business for next week.  
Dates of Easter Recess – date of Budget.

2. Rent Act.

H.B. We shall do all we can by admin<sup>ve</sup>. means to reduce hard core before Oct.  
Concentrate on period immediately after 6/10. If no action, there will be many cases of eviction wh. p. opinion wdn't tolerate – in Ldn, Glasgow and seaside towns. There wd. then be irresistible pressure for emergency leg<sup>n</sup>.  
Resolved not to compromise main structure : principle of decontrol. But we must ease transition. Hence propose the leg<sup>n</sup>. outlined in memo.

P.M. Para. 6(ii) merely brings law into line with existing practice – not therefore so drastic as it seems at first sight.

H.B. Tests in 6(v) are vital point. Early legislation on this will spur parties to reach settlement.  
V. largely a problem of old people.

J.M. Can't get reliable estimates of actual hardship involved in Glasgow – tho' v. much irritation. C<sup>d</sup>. prs. have ridden out storm : but as E & Wales can't I go along with this proposal.

P.M. i) Is this workable? ii) What pol. effects will it have – encroaching on principle?  
iii) Present<sup>n</sup>. and timing.

K. (i) Practicability. If 5-10,000 cases in Ldn, spreading cases over 12 mos., it is manageable – tho' will put a strain on Courts & I may have to appoint more Co. Ct. Judges. A much larger no. of cases wd. frustrate the measure.

H.B. Tenants will have greater incentive to reach agreement with l'lords.

P.M. But a mass movement cd. block the courts, and leave tenants free to squat on.

K. Para. 6(vi). Add ultimate limit there : for without it tenant is in same pos<sup>n</sup>. as under Rent Act.

H.B. Para. 6(x) puts a limit of 3 years.  
About 50% of cases – agreement reached already.

P.M. Risk of boycott & abuse?

Hail. V. diff. to block Co. Courts. Judges are mobile, and deputies can be appointed.

[I.M. y| This special concession to hard core of 25.000 will outrage the 775.000 people  
| who have made agreements, often under duress.]

[R.A.B. Para. 6(ii). Such credit as we have gained with l'lords by firmness may be lost by this.]

- H.W. C<sup>d</sup>. scope of measure be narrowed?
- [H.B. x/ Designed, as is, to help aged, disabled and widows with large families.
- Ch.H. Believe it will help much wider circle : for tests in 6(v) are easy for tenants.
- H.B. No : 6(v)(b) won't be easy save for x/ : others won't pass this test.
- H.W. C<sup>d</sup>. you spell that out, by specific definition.]
- Conclusion on practicability : on balance, affirmative.
- (ii) Political considerations.
- Note [ ] above are all political.
- P.M. Turns practice into law. Turns 4-6 wks. into 9 mos. and prs. more. Eases transition in that sense. But is it wiser to ride out storm? That really turns on estimate of pol. diff<sup>ies</sup>. of hard cases.
- RAB. We have screwed up our supporters to see this thro'. They will be surprised at volte face. But in Ldn. we mght have serious demonstrations in autumn – evictions all coming at fixed date – wh. mght entail recall of Parl. On other hand, under Bill some dec<sup>ns</sup>. wd. come out at even more critical political time. If introduced v. soon Bill cd. be passed by end/Apl. This is not a moment for pol. concession. W<sup>d</sup>. prefer therefore to take it after Whitsun recess and pass by 2/7. Apart from pol. sit<sup>n</sup>. Parl<sup>y</sup>. p'mme is v. heavily overloaded. This Bill wd. take 5 to 6 Parl<sup>y</sup>. days. W<sup>d</sup>. therefore entail long over-spill in autumn.
- P.M. We might, as quid pro quo, reduce length of Finance Bill by omitting some of the “Departmental” tidying-up clauses.
- I.M. One of worst spots is Ealing – where bye-election is due soon.
- H.B. Feeling is growing even outside worst spots.
- H.W. Even in Woking there is trouble. It's the old people who haven't the will to look for other accom<sup>n</sup>.
- H.A. C<sup>d</sup>. you limit it to old, disabled etc.,
- Hail. No : because families with many children.
- H. What about y/? Demand for retrospection.
- H.B. Majority of agreements are at 2½ times gross value or lower. But a fringe have bn. forced to accept less favourable terms.
- P.M. But they might not have succeeded under Bill.
- J.H. These are consequences we foresaw. If we pass this Bill, shall we have courage not to extend it.

- Hail. Will be regarded as evidence of miscalculation of no. of evictions likely to result from Rent Act. Will therefore be major reverse for Govt. Will also mean that, instead of getting over the trouble in Oct., there will be a running trickle stretching into Election period. Those we have encouraged to support Act will feel much let down.  
But can Govt. stand pol. outcry in autumn? Believe estimate of cases is right. If so, we can't hope to ride it out. On balance therefore favour Bill. But it will be cruel blow to our credit.
- I.M. Accept that. But it is major pol. defeat.
- H.W. Loans etc.,?
- Hail. No. Nos are too large.
- (iii) Timing.
- R.A.B. Pol. arguments for delay. Govt. credit is rising.
- H.B. Strong arguments the other way. i) Can now do it from strength. Have said I am watching position. ii) L'lords will be taking decisions betwn. now & Oct. iii) If we act later, will be attributed to Local elections. iv) Liberals will run it v. soon.
- R.M. Strength of y/. Measure shd. therefore be as small as possible : also as early on that account.
- H.A. Wdn't favour this if we cd. ride it out. Doubt if we can. If we act, let us do so v. soon & in as limited a measure as possible. Worried about those who have made more expensive agreements.
- Hail. Limiting. Not by defining classes. But in 6(v)(c) don't limit criterion to hardship : e.g. inequitable having regard to all circs. incldg. hardship.
- M. Pol. argument. Every strong action puts our credit up : every concession brings it down. Don't overlook that.
- D.E. Have we made full survey and considering other expedients – e.g. getting people to buy and give new agreements.
- H.B. Diff<sup>y</sup>. of survey – situation is developing all the time.
- Ch.H. Last part of 6(viii) surely will discourage more agreemts being made.
- [Exit J.H.]
- H.B. I wd. be willing to legislate on basis of 2½ times flat. But Scotland want opportunity for lower figure.
- Ch.H. But we mustn't depart fr. basic aim of Act viz., to promote movement.
- P.M. Logical to restrict aid to (vi) – and not to go into ques of rent.
- J.M. But many of those affected will be above Assist<sup>ce</sup>. Bd. level.

Hail. But do you think it right to expect l'lord to subsidise those who can't afford econ. rent?

[Exit H.B.

3. Malta.

A.L.B. Letter fr. Mintoff. Statement by Olivier: who fears M.'s antics may involve suspension of constit<sup>n</sup>. Olivier also thinks well of alternative offer. Ends my fear tht. M. & O. wd. unite on independence. In elect<sup>n</sup>. he mght advocate our alternative.

Dissolution can't be refused. In Election campaign shd. Govr. remain neutral : or shd. he make it plain that complete independence cd. not be secured.

P.M. Tell Govr. i) he can't refuse dissol<sup>n</sup>. ii) we will advise him how to handle financial sit<sup>n</sup>. & how long he waits before assumg control : C.O. & Ty. to consider urgently and advise on this. iii) on intervention, he shd. at present say no more than justify Govt. policy as pursued h'to.

Both ii) and constitutional issues shd. then be referred to C.P. Ctt<sup>ee</sup>.

[Exit A.L.B.

[Enter DW-S.

4. Wages Policy : N. Health Service.

DW-S. Ctt<sup>ee</sup>. on Wages are ready to support scheme A.

P.M. Sensible scheme at 3.7%. Scheme B. is less good but only 3%

H.A. Dislike both. Embarrassing. We give under either more than we refused earlier. But admit B. is bad scheme. I wd. have preferred principle of A, but assimilations giving about 2½%. But if we have to do A as it stands, play it slow and stress re-grading. We are committed to solution on basis of N. Hall.

I.M. Re-vamping structure is, fr. my angle, less troublesome than flat 3%. Moreover, whole purpose was to hold this back until main claims came along. They are here now.

R.A.B. How reconcile this with what I had to say to fire-women.

M. Can we not p'pone this until we know result of rlway claim?

D.W-S. No agreemt. will be reached, in negot<sup>n</sup>., until at least 14/4.

H.A. Back-dating will be held back for later decision.

DW-S. I am only suggesting 1/3 : which is v. modest.

P.M. Negotiation must be continued on basis of Cab. preference for Scheme A, and M/H. to keep in touch with H.A. on timing of concl<sup>n</sup>. & on retrospection.

After further discussions –

P.M. Why not p'pone mtg. for a time.

D.W-S. Fixed for 31/3. Hard to get management side to agree that now.

H.A. Must also avoid announcement of concl<sup>n</sup>. until May.

I.M. If we p'pone mtg. until after Easter, we must say we will then have definite proposals to put fwd.

P.M. Then p'pone until 14/4.

[Exit D.W-S.

5. Foreign Affairs.

(a) Tunisia.

O.G. U.S. have told Bourguiba they cdn't support his plan w'out frontier control. Despite this, he won't contemplate it – not even U.N. control. Fr. will therefore not agree to rest of plan. Next move must therefore be to get Sec. Genl. into this.

P.M. Why shd. we do any more. Worsens our rel<sup>ns</sup>. with French. Much to be said for dropping “good offices” device.

O.G. If only we cd. get agreemt. on frontier, it wd. be easier for us to defend Fr. pos<sup>n</sup>. in Sec. Council.

P.M. Why shd. we interfere constantly in Fr. affairs.

I will consider further with F.O.  
No action by Beeley w'out further instructions.

(b) Summit Meeting.

P.M. U.S. have accepted statement of W. position – now being discussed in N.A.T.O.

C.C.27(58)

27<sup>th</sup> March, 1958

1. Rent Act. [Enter E.H., O.G.]

- P.M. Summarised political issue for consid<sup>n</sup>.  
On facts : a) control ceases after x generations : 20/30.000 houses a year come out of control, painlessly, by this means.  
b) Was this particular method of easement, as now proposed, put fwd & rejected during passage of Bill.
- H.B. a) Since 1939, house hasn't become de-controlled : but l'lord wd. gain vacant possession : if he let it again, it wd. become again subject to control.  
b) Point was not raised or argued during Ctt<sup>ee</sup>. stage of Bill.
- H. Genl. pol. arguments v. Bill are v. strong.  
C<sup>d</sup>. Oppos<sup>n</sup>. organise such a campaign v. this Bill as to torpedo main Act? No : because p. opinion is not against principle.  
Effect on agreements already made. In main, people who have done so have made reasonable bargain.  
Pol. agit<sup>n</sup>. on evictions wd. be really disastrous.  
On reflect<sup>n</sup>. I conclude that a narrow Bill is best course : subject to consideration of possibility of giving discretion to Ct. to fix rent subject to minimum.
- R.M. Hard to justify eviction of tenants who can prove they have tried both to reach agreement and to find accommodation.
- J.H. Agree : as narrow as possible.
- M. Those who have made agreemts wdn't be upset by this.  
Bill is logical end to H.B.'s assurance to H/C. that hardship wd. be relieved. But politically damaging.
- Hail. We shdn't get into pos<sup>n</sup>. tht. all evictions will come at one time. Support proposals as they stand.
- D.E. Relief must be provided. Many old passive people may not be able to show they have tried. How do we help these? Some intermediary betwn. them & l'lord. Bill shd. provide for this.
- K. Favour Bill. If none, from Oct. to Dec. old & disabled wd. be being put out by bailiffs – more wd. need to be provided. Equitable that these classes shd. be given some help. Bill must be narrow. Hope H.B. will consider restricting test (c) : also rest<sup>n</sup>. of period to 6 mos. at a time and 12 in all. Cases shd. be spread over a time.
- H.A. Favour Bill. Damage from criticism of mis-estimating effects will be less than that we wd. get for w'spread hardship.  
Worried about agreemts made.  
Hope Whip will tell us more of attitude of supporters.
- A.L.B. Doubtful. Prefer no decision to-day. Fear this will shake confidence in principle of main Act : Bill mght be used to run campaign which wd. wreck main Act. Lets our supporters down – who have stood up for Act.  
Shall we be better off in 9 months' time.

I wd. prefer remedial assistance in special cases – old and sick.

- I.M. Better than panic leg<sup>n</sup>. in Oct. – & I believe we wd. be driven to that. This is too large for admin<sup>ve</sup>. action. Must hear Whip – on view of supporters.  
Duration of Bill : must be 3 years.
- H.W. Must accept H.B.'s view on ques wtr it can be done by admin<sup>n</sup>. Agree somethg. must be done. If there has to be leg<sup>n</sup>., Bill is too broad.
- Ch.H. V. gt. blow to pol. prestige of Govt. In average areas we have battled this thro'. Pity to have to do this for a v. few areas. Can we now estimate size of problem? In Luton, fear of what might happen was worse than what happened. Nos. shrinking weekly, as agreements are made.
- E.H. W<sup>d</sup>. be v. gt. shock to Party. Most have battled thro', on main Bill. Only 3 abstainers on a vote. Their "ambulance" idea was administrative relief. Bill – or its effect – may stultify our main case for Act. Minister has bn. saying it's too early to estimate final result – certainly not before Apl. 6.  
Of course, Party wd. be equally incensed at situation in October.
- H.B. Talk to Party to-day. Expect<sup>n</sup>. of some Govt. action.  
Presentation. Bill must be made to look uncomfortable – no encouragement to tenants to hang on & doing nothing.  
W<sup>d</sup>. like to explore rent of 2½ times flat plus provision for N.A. Confine hardship therefore to people who can't find other accommodation & not extend it to those who are too poor to pay rent demanded.  
Whatever we do by admin<sup>n</sup>., there will always be some small core. Cdn't clear them all off in 12 months – more likely 2 years.  
Discretion cd. be betwn. 3 and 9 mos.  
Do not believe this will wreck main Act. Per contra believe it will induce more agreements under that Act.  
Tory Party wd. suffer for years if we allowed label of inhumanity to be applied because of what will otherwise happen in October.  
Timing : repeated 4 arguments used this morning.
- P.M. General view : regret at having to make some compromise on main Bill. But now we are concerned with arguments : Tories will feel differently when ques of facts – actual evictions.  
In principle, we agree tht. some such action will have to be taken.  
x| At Tuesday's Cab. let us have revised statement of heads of Bill. The 2  
| Ministers plus K. Narrow appl<sup>n</sup>. other points. raised in discussion. Also draft  
| of announcement. Also timing and handling of Tories in H/C. Probably  
| Wed<sup>y</sup>. is best.

Agreed.

## 2. Meeting of Heads of Governments.

- P.M. \* Statement of W. attitude twds mtg of Heads of Govts. will be issued on behalf of 3 W. Powers who attended earlier Geneva mtg.  
K. has succeeded B., who has resigned.

R. are likely to announce to-day unilateral suspension of tests. If they do, I shall decline to make any immediate statement. Nature of our attitude will need to be considered by Cabinet.

- \* N.A.T.O. have approved ad ref. to Govts. U.K. stated we want to get it out by wk-end. They have agreed also to name a date (? 14 April) for start of diplomatic negotiations.

### 3. European Free Trade Area.

- R.M. Fr. are isolated. But they rely on support of G., whose Govt. is divided on this. Adenauer may be persuaded during visit Ldn. In end we may come to special treatment for Fr. Can we indicate we will be ready to consider concessions to Fr. Commonwealth preferences. Fr. plan refers to sharing these. Argument tht. e.g. U.S. motor trade wd. establish factories in U.K. to get Comm. as well as Europ. advantages. Fr. unwilling to give anything in exchange. We shd. decline to pay this price for entering a E.F.T.A. Danger : Austr. mght reduce their preference to us & saying we must compensate from Europe. We may have to fight this alone : & find ourselves isolated.  
No decisions required now. Shall continue to argue, on preferences i) against GATT. ii) for Commonwealth, not us.
- D.E. Threat to preferences is v. serious.  
Two sorts of preference. Some countries can narrow preference to U.K. by m.f.n. Not large margin : but U.S. wd. like to see it reduced. But Fr. plan is tht. six shd. share in our margins on discriminatory basis. Br. industry wdn't accept our bargaining this advantage away for sake of French : indeed we have assured them that it will be preserved.  
Some campaign in Europe to show Imp. pref. is not Colonialism : we give advantages in exchange : if C. countries reduced pref. to us we shd. have to re-act.
- H. x| Might develop into strong attack on Imp. preference. Tempting therefore to turn down Fr. plan publicly – but that mght wreck E.F.T.A.  
Also, some C. countries will stand firm : tho' some, like N.Z., mght be tempted. R.M. must keep x/ in mind.
- R.M. Hasn't bn. tabled openly. We may be able to strangle it at birth.  
In public I shall go on saying C. system is balanced system in wh. no one can share rights w'out obligations. In private I shall say unacceptable.
- H.A. Scared of this because A & N.Z. fear that no expansion of our market. This wd. be v. tempting to them.  
R.M.'s present line is enough. But he may need quick decision at any moment. We mght want to say a sharp No : but diff. if we found other C. countries wanted to make such concession.
- R.M. Worst danger = line-up betwn. some C. countries and Europe. Don't think it will happen.
- H. How cd. we warn A & N.Z.
- D.E. Tell them we are telling Fr. we are not entering into disc<sup>n</sup>. with them on sharing Imp. preference. Indicate diff<sup>ies</sup>. of such multi-lateral bargaining.



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- R.M. We have told them v. much this.
- H. C<sup>d</sup>. France be left out of E.F.T.A. for period of years?
- R.M. Fr. are v. that. So are E.C.E. But it wd. be best solution.
- Hail. C<sup>d</sup>. we drive wedge btwn Fr. and G.?
- R.M. Rift w'in G. Govt. Erhardt is wholly of our view.
- O.G. Erhardt is swayed by econ. cons<sup>ns</sup>. Adenauer is moved by pol. consid<sup>n</sup>. tht. he has healed breach betwn F. & G., and wants to go down in history with that to his credit.
- D.E. Consider at some stage what we cd. do if E.F.T.A. project broke down.

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C.C.28(58)

1<sup>st</sup> April, 19581. Summit Meeting : Nuclear Tests. [Enter E.H.]

P.M. Statement of W. position delivered. Has off-set to some extent effect of R. unilateral suspension of tests.  
 Read Ir. from Pres. Eis. of 29.3. Since then US. have suggested discussions of bi-lateral agreemt. on assumpt<sup>n</sup>. of passing of leg<sup>n</sup>. amending MacMahon Act. Importance of the 30 days = diff<sup>ce</sup>. betwn. op<sup>n</sup>. July or Feb '59.  
 Next B. test v. soon. W<sup>d</sup>. solve fission/fusion problem : and pave way twds. knowledge of know-how for weapon small enough for war-head of rockets. Not by any means sure U.S. will give us all inform<sup>n</sup>. we need, if we are to have no tests. Must therefore carry thro' this next test.  
 Reaching point now at wh. it will be easier for us to forego knowledge than material. Can contemplate suspension of tests : not so much cut-off of production.  
 Public line?

I.M. C<sup>d</sup>. we advocate suspension at end of f'coming U.S. series?

S.Ll. Doubt if U.S. wd. agree w'out adequate insp<sup>n</sup>.

P.M. Diff<sup>y</sup> about this line : not known that we are about to have a test.

H.W. Say : ready to consider pos<sup>n</sup>. at end of current series of tests. That is what R. did.

Terms of reply to P.N. Ques discussed and agreed.

2. European Free Trade Area.

[Not heard.]

3. Cyprus.

P.M. Damp this down. Avoid appearance of proposing brand new & diff. plan. Put it as part of continuous search for solutions – and in Ldn, which wd. be less marked than in Ankara.

R.A.B. Prefer tri-dominium : provided it's clear that U.K. retain responsibility (jointly) for order in Island : i.e. to check civil war. [Enter H.B.]

S.Ll. Gks. will never accept it.  
 Attraction of alternative is tht., if T. wd. accept it, Gks. wd. take it too.

R.A.B. W<sup>d</sup>. we intervene then, if disorder broke out.

S.Ll. No : once Island in Gk. hands.

R.A.B. Then unpalatable to Party.

K. Yes : if tri-dominium rejected, enforce tel. plan.

- S.LI. Prospects for tel. plan are more promising. U.S. wd. back it.
- P.M. Don't put it as a plan. Must keep it going until May, after Gk. elections. M'while, officials to work out tri-dominium plan. So that we can, in end, produce it publicly.

4. Parliament.

- R.A.B. Business for week after Recess. [Exit S.LI.

5. Rent Act.

- H.B. Discussed outstanding points under K.'s chairmanship.  
i) Level of rent. From 1/10 onwds. level of twice until Co. Ct. dec<sup>n</sup>. : if stay of execution then granted, it shd. be rent asked by l'lord subject to power of Ct. to reduce it on proof tht. tenant can't afford it tho' not below twice. Effective prot<sup>n</sup>. v. hardship : and satisf. to those who have already made agreements.

- Hail: Suppose l'lord's object is to sell, he will have named unreasonable rent. Co. Ct. will then be obliged to order that rent unless proved tenant can't pay.

- K. Good point in theory : but unlikely to arise in practice.  
Object of main Bill was to secure a free market. Don't abandon that now, for a theoretical point.

- J.M. V. dangerous to set maximum : for l'lords will take it as reasonable level for agreements made betwn. now and Oct.

- R.A.B. Merits – in favour of action. Politics – against it, save Ldn., Glasgow. But conclude we must do it.

- I.M. Provide that it shd. apply only to areas to wh. extended by Order?

- H.B. Hard to define areas. Facts (alternative accomm<sup>n</sup>.) will in practice localise it.

Agreed : Introduce Bill after Easter  
Announce Wed. 2/4.

6. Land : Compulsory Acquisition.

- RAB. x| Authorise prep<sup>n</sup>. of Bill.  
| Negotiate with Corfield, who wants early announcement.

- J.M. My reservations. i) Mght involve some l.l.a.'s in heavy costs over slum clearance.

- H.B. Studying problem when industry, shops etc., planned as well as houses.  
[J.M.] ii) Is this wise politically? Must be righted sometime. But how many votes will it earn now? Our supporters want it, but will not more people be alienated by it.

- J.H. Agree – will alienate middle vote.
- Hail. Is it not equitable? cf. cases where l.a.'s find they don't need it, and are compelled by Ty to sell at a profit.
- P.M. Drew attention to dangers.
- H.B. Don't seek decision now. Only x/.

Agreed : as at x/.

7. Malta.

- A.L.B. Debate to-day. Hope to avoid division. But Govr. has assented to Approp<sup>n</sup>. Bill : and warrants for £7M have bn. submitted – and must be signed because Govr. acts on advice. I must make it clear there will be no more from U.K. this year than £5M. This may upset Oppos<sup>n</sup>.

8. Territorial Waters.

- K. On behalf of S.L.I. – Att.G. must to-day put in amendment on 6 miles. Canadian hostile & trying to persuade us to support their 12+13. Att. G. will carry on - pursuant to existing inst<sup>ns</sup>. Oppose Canadian plan but not lobbying against it.  
Agreed : m'tain existg. instructions.

C.C.29(58)

3<sup>rd</sup> April 19581. Local Unemployment. [Enter E.H., B-C., Str.

H.A. Local, rather than general, unemplt. is present problem. Not confined to developmt. areas. Suggest leg<sup>n</sup>. to give same powers (Ty) to lend to industrialists outside dev. areas as exist already inside those areas – to establish or extend factories.

D.E. Dep<sup>n</sup>. fr. Labour Members on N.E. Coast – anxious tht. area shd. not be de-scheduled. I so assured them. But they volunteered suggest<sup>n</sup>. tht. similar powers shd. be available elsewhere. Unlikely therefore to be controversial.

RAB. i) Must hold our anti-inflation pos<sup>n</sup>. This may seem to weaken it.  
ii) No room in programme.

I.M. This is a measure wh. will help us to avoid general reflation.

H.A. Sh<sup>d</sup>. have liked to mention in Budget speech.

P.M. V. well : that may whet Opp<sup>n</sup>. appetite for it – and make it easier to get it thro’ H/C.  
Prepare Bill : let H.A. refer to method in B. Speech : then see prospect of getting leg<sup>n</sup>. through.

2. Pensions.

P.M. First choice : do nothing or enact some leg<sup>n</sup>. next Session.  
If we decide to act, three choices :-  
i) require employers to provide supplementary cover, and provide State scheme for those who aren’t covered. That won’t cure Exch. deficit.  
ii) August plan.  
iii) September plan. Not much object in that unless contracting-out. Asked therefore for inform<sup>n</sup>. to see how people wd. re-act to contractg-out : began with public sector : hence C.74, which shows they will mainly want to contract out. Need therefore to test public opinion : either by Wh. Paper or confl. discussions. Must decide on that ques v. soon. If we decide to go on with either enquiry M/P. cd. proceed after Easter. If we prefer to take a substantial dec<sup>n</sup>. on choice of scheme, that must wait for final decision after Easter.

H.A. Must act. Cdn’t allow things to drift, with rising deficits shown in Table A of Ann. I. of C.71.  
If we had to choose today, I wd. vote for Aug. plan. Hedge v. inflation. Lower cont<sup>n</sup>. for lower-paid. Strong preference for it.  
Sept. plan. Contractg-out. If there’s little, no satisf<sup>m</sup>. If there is much, hurts Exch. V. gt. admin<sup>ve</sup>. task : clearing-house needed for watchg. transferred rights for those who change jobs. Much, however, to be said for testing opinion re contractg-out. Confl. consult<sup>n</sup>. cd. be justified because of no. of private schemes. But wd. help to have a wider pol. opinion – and that cd. be better obt<sup>d</sup>. by W. Paper method.  
Drafts wd. need revision. Second, e.g., shd. present substance of both plans.

- B.C. We can't decide w'out knowing extent to wh. contractg-out wd. be used. Therefore, tho' for diff. reasons, I favour getting more information. C.74 seems to be based on mistaken use of word "field"  
On method of consult<sup>n</sup>. I prefer W. Paper. If we adopt other method, how do we consult labour? T.U.C. wd. leak?
- I.M. Must adhere to 2 principles : i) must ease deficit ii) must have fair alternative to Crossman.  
Table A of Annex. shows that either scheme meets test (i).  
Which is the better from angle of (ii). August is tidier : just better for Ty : but not a Tory scheme – not insurance, weighted v. young, favours lower-income groups. Hence will be a poor version of Crossman. Therefore, if contractg-out is practicable, Sept. has great advantages.  
Method of testing opinion. Confl. consult<sup>n</sup>. Wh. Paper wd. start argument wh. wd. tie our hands. Can avoid leaks – by consult<sup>n</sup>. with selected individuals.
- M. Agree with I.M. Must have full enquiry. Dislike Aug. plan because it wd. bring private schemes to an end. Nat<sup>d</sup>. ind<sup>ies</sup>. : £50 M. now, wd. rise by £8.6M. under Aug. plan. Many people wd. qualify, with suppl. pensions, for pensions almost equal to their earnings.
- H.A. Dissent from that.
- M. On method of enquiry, dislike W. Paper because it commits us to too much. Prefer to do it quietly.  
Obj<sup>n</sup>. to Aug. Increases costs to best employers who keep private schemes. Employees are also near limit of reasonable contrib<sup>ns</sup>.
- H.W. Support M. Wrong for Tory Party to abandon principle of compulsory minimum with room to add voluntary element.
- A.L.B. I too agree – for that reason.
- D.E. Objects : raise more revenue & counter Crossman. If we didn't have to do second, shd. we favour first? Is Crossman so popular now, as it was when inflation more feared?  
Value of private schemes – esp. in encouraging loyalty to firm. Sweeping them away wd. damage industrial morale.  
My choice is for no action. If we must act, prefer Sept. and enquiry by informal consult<sup>n</sup>.
- Hail. Our reput<sup>n</sup>. must rest on financial integrity. Must therefore be seen to be dealing with emerging deficit. Must also compete with Crossman.  
We must therefore act. Neither course will be popular with supporters – hastily extending welfare State. Sept. is v. onerous to employers : if he contracts out he has to submit to supervision and adjustment.  
On contracting-out, I have developed doubts. Not sure Aug. plan will destroy private schemes. In theory it is no diff. from present sit<sup>n</sup>. – private super-imposed on State "floor". Doesn't diminish incentive because doesn't make v. good prov<sup>n</sup>. for higher paid. Contracting-out : no right to individual : to employer/worker.  
Life Offices fear Sept. more than Aug. because latter doesn't invade much of their field.

Tactics. W<sup>d</sup>. have preferred Govt. dec<sup>n</sup>. before any danger of leak is accepted. But now see we can't decide w'out enquiry. Therefore I favour enquiry – by private consult<sup>n</sup>.

- K. Prefer Sept. Enquiry by consult<sup>n</sup>.
- Ch.H. Agree with I.M. But cond<sup>ns</sup>. for contractg-out are likely to be found v. diff. Must therefore consult – informally.
- R.M. Compr. scheme can't be insurance : must be re-distrib<sup>n</sup>. of income.
- B.C. View of Life Offices is as stated by Hail. But more important to get views of employers.
- H.B. Support I.M. and M.
- G.L.I. Agree with I.M. Tho' shaken by Hail's argument. Pension schemes valuable now to support of investment. Wiser not to put it all in State.
- D.S. We shd. support good employers. Favour Sept.
- R.A.B. Propose we carry out informal consult<sup>n</sup>. But include Aug. plan in working document. If they don't want to contract out, they ought to see alternative. On merits, effect of Exch. has bn. under-rated. Table A. is unduly favourable to Sept. plan. It will involve emerging deficit, esp. after 15 yrs or so. We shd. have a further Ty. appreciation of the figures : incldg. dispute re C.74. Remember also tht. under Sept. plan there must be increases of cont<sup>ns</sup>. every 5 years. Final decision can't be p'oned much longer.
- P.M. Sorry state of affairs due to hasty introd<sup>n</sup>. post-war of State scheme now seen to involve intolerable cost. Had it not bn. for that, I wd. still hanker after June plan. That wd. be genuine insurance – with funds fruitfully invested. State schemes spend income on current expenditure. Powerful obj<sup>ns</sup>. to both Aug. & Sept. Danger of Sept : in desire to protect principle of private schemes we may in practice injure them. Transferability will, for many employers, undermine main purpose of private schemes. The more people who contract out, the worse it is for Exchequer : can't therefore honestly advocate contracting out. Ministers must therefore reflect over Recess. M'while, we must amend Aug. & re-work figures. Also agreed estimate of contractg. out on basis of inform<sup>n</sup>. in C.74. Then M/P. and Fin. Secy. to organise confid<sup>l</sup>. consult<sup>ns</sup>. on amended working document – consultg. M/L. on employee's side. After that, realistic estimate of what wd. happen on contracting-out.

Agreed as above : report to Cab. early May.

3. Legislative Programme. [Enter A.N.]

- R.A.B. Not all List A Bills will mature. Others will be v. short. Crux is B.1. Also consider wtr B.1 + somethg from B2. will make a presentable p'mme.

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For a session w'out overspill we can't add much to B.1.

- J.H. x| Shall need a Bill on aid for small farms.
- RAB. W<sup>d</sup>. need to be added to B.2. W<sup>d</sup>. have popular appeal.
- K. Economic Controls. Hope to submit proposals to Cab. by July. We must clear up Def. powers.
- H.B. New Towns Bill must be done in present Parl. High in B.2.
- G.Ll. y| Church schools. This wd. need leg<sup>n</sup>. – if action to be taken before an Election.  
| But w<sup>d</sup>. have to be done in context of new p'mme of educational developmt.
- R.A.B. x/ and y/ might be added as possibilities.
- I.M. Favour Wages Councils Bill – to abolish Catering Wages!!
- H.A. Hire Purchase Reg<sup>n</sup>. Risk of major scandal. C<sup>d</sup>. we have it in B.2.
- D.E. In preference to Credit Trading.
- H.A. Mght merge into one Bill : e.g. Credit Trading into Ec. Controls.
- D.S. Reserve Forces may have to go into A., vice Extension of '54 Acts.
- RAB. Visiting Forces Amendmt. must go into B.2. (on behalf of S.Ll.)  
House Ownership for persons of small means – wd. like to get Bill on that. Put it in B.2.

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C.C.30(58)14<sup>th</sup> April, 19581. The Budget.

[Enter E.H.]

No note taken.

2. Aden.

- P.M. Outlined situation in Lahej and the steps authorised for its redress. Jifri brothers are to be arrested and deported to S<sup>t</sup>. Helena.
- A.L.B. Support decisions taken by Def. Ctt<sup>ee</sup>. Won't shock people much : most of earlier members of Lahej dynasty have spent most of their time in Seychelles.
- J.H. Cd. they not be detained in Aden?
- A.L.B. No : wd. be focus for dissension.
- P.M. Must now study long-term policy for Colony & Protectorate. Ordinary Commonwealth policy hardly applies ; for these countries won't become independent & they wd. sell their freedom to Egypt.
- S.Ll. Shall have to endure (European) Comm<sup>n</sup>. of Human Rights.
- M. Objective of policy : protect M/E. oil. Value of Aden = military. Doubt if we shall ever use military means to protect our oil interests. Sh<sup>d</sup>. we not therefore concentrate on protecting them by cementing Arab good-will.
- A.L.B. Yes : but Gulf States wd. be shaken if Lahej went over to Nasser.
- P.M. We can't hold Protectorate much longer by 19<sup>th</sup>. Cent. methods, while Arab nationalism grows around it.
- S.Ll. Yes : but wrong to thrust Br. democratic system on them.  
[Are we going to face this (Yemen) alone or rely on international organisation e.g. U.N.]
- A.L.B. May Govr. use his existing resources to jam propaganda b'casts by Cairo and Yemen.

Agreed.

- S.Ll. Sh<sup>d</sup>. we not bring in Sec. Genl. U.N. on our side to prevent Nasser's infiltration into Aden & Protectorate.

C.C.31(58)

15<sup>th</sup> April, 1958

1. Summit Meeting. [Enter E.H., J. Simon.

S.Ll. Read text of proposed reply to latest Soviet note. W'ton 857. Para 5. Fr. and U.S. insist on this para.

P.M. NATO. preferred our simpler draft. But original U.S. draft was much worse, even than 857.

S.Ll. F.D. says para. 5 is essential if he is to hold opinion in Congress. Soviet note clearly showed their attitude on Summit is v. difft. from U.S. and ours.

P.M. V. well : but suggest drafting changes designed to soften it a little.

S.Ll. If R. are ready to discuss substance, at dipl. mtg., we are in diffy. that there is no agreed W. pos<sup>n</sup>. on e.g. disarmament or disengagement. Outlined inst<sup>ns</sup>. given to Reilly. Designed to give time by putting substance last in order of their discussion.

2. Parliament.

R.A.B. Business for next week.  
Speakers in Budget debate. D.E. opens Wed. R.M. opens Thurs. J.S. & H.A. Mon.

3. Foreign Affairs.

S.Ll. a) Tunis. Fr. Govt. have accepted good offices plan. If they can carry this thro' Parlt., we can move forward.

b) Cyprus. Turkish Ministers are going abroad for some time : a good reason for delaying for a time. This, plus Gk. elections, will provide public reason for delay.

c) Kuwait. Must get a Br. airline here. They won't have BOAC., but wd. make a deal with B.E.A. Shdn't risk foreign airline there merely because of technical reasons.

H.W. BOAC will make loss of £2M. because subsidiaries run for political reasons : I have told them to cut back on unprofitable ventures. But I will look at it again : B.E.A. or a private operator.

P.M. \* F.O. and M/T. to consider and report to me.\*

4. Yemen. [Enter H.F., G.W.

P.M. Explained dilemma – guns now sited in or near villages. Are we to attack them? Def. Ctt<sup>ec</sup>. recommend auth<sup>y</sup>. be given – as in draft instructions to Commr. That wd. be stepping up our activity in response to increasg. Y. activity.

Alternative approach – in view of U.N. provisions re self-defence shd. we register complaint with U.N. reportg. incidents. We hesitated to do this previously because thght tht. our Treaty pos<sup>n</sup>. was too vulnerable. Now appears that it isn't quite so weak as we feared. Still a risk tht. we shd. stir up U.N. type of sniping etc., v. our position.

S.LI. Greatest danger is action involvg. large loss of civilian life. W<sup>d</sup>. prefer not to authorise counter-action v. guns in villages until we have decided wtr we shd. take U.N. course. Our casualties only 1 killed & 5 wounded – not v. high. (ALB. More from raids etc.,) Why don't we do some similar nuisance attacks vice inhabited villages.  
On U.N., if we report, they will want to intervene. Do we lose by that now that E. & R. are behind Yemen. Treaties with Yemen will stand up – risk is over  
Treaties with Aden Protectorate.

A.L.B. Morale of levies is being shaken by gun-fire. Favour retaliation.  
U.N. won't help us because wd. prevent us from taking even present steps to resist infiltration.

S.LI. Govr. is doubtful re prospects of holding Protectorate.

A.L.B. Because people are doubting our will or capacity to govern. Failure to retaliate will confirm that feeling.

K. Timing. Lodge complaint with U.N. Their obvious course wd. be to de-limit Y.'s s. frontier. If thereafter attacks continued we wd. be in stronger pos<sup>n</sup>. to act in self-defence.

A.L.B. Delay.

K. But if U.N. delays it we can act in self-defence. But go to U.N. before we act.

G.W. Y. strength & capacity in guns are growing. We may have to w'draw after some time.

S.LI. Can't stop build-up : it's from E. and R. sources. Aden is Nasser's next target.

P.M. Then anticipate events by complaining now to U.N. – invite them to define & if nec. patrol this frontier. Must do that first. Having done so, wd. we be justified in authorising counter-battery action as proposed in self-defence.

\* F.O. to draw up, with C.O., report to U.N. & consult Sec. Genl. on modalities.\*  
in consult<sup>n</sup>. with K.

No further authority to troops m'while.

[Exit G.W., H.F.]

[Enter S., Alport.]

## 5. Territorial Waters.

Tel. 173. Geneva.

S.LI. Warships wd. have right of innocent passage w'in the 6 miles (message fr. Att.G.)

S. But innocent passage depends on consent of riparian States.

Hail. Right of access by sea to own country can't be denied. This wd. cover

- (x) access to Singapore & Gib.
- P.M. Confirm that (x) by enquiry of Att.Gen.  
.. that right to pass w'ships thro' strait to internat'l. sea is not affected. And does "innocent" mean only innocent qua riparian State concerned.
- S.Ll. Not sure wtr breakdown wd. really be worse.
- J.H. Dangerous qua fishing to support this U.S. plan. Safeguards aren't strong and may be whittled away.  
Sh<sup>d</sup>. be accused by fishing interests of breach of faith.
- R.A.B. But alternative is Indian 12 miles, which is much worse.
- P.M. U.S. are trying to help us over fishing. We were ready to go to 6 m. They have secured that for us.  
We shan't do better than this on fishing.

Agreed : Resume discussion at 9. pm. [Exit S., Alport.

6. Industrial Disputes.

- I.M. Buses. P.Q. to-morrow asking wtr there is any further process beyond arbitration. Must say "none". Strike 5/5.  
Railways. T.U.'s seeing B.T.C. to-morrow : they are moderate : after mtgs B.T.C. will see M/T. : they (T.U.'s) will then seek interview with P.M. At that point only Govt. shd. publicly make their pos<sup>n</sup>. clear. Prob. not until next week.
- P.M. Our line can be i) expediting developmt. plans to increase earning capacity of rlways. We must get that in before strike notices given.  
ii) getting T.U.'s to co-operate in rationalisation of man-power etc.,

7. Wilton Park.

- S.Ll. Want to continue.
- J.S. Can Ch.H.'s Ctt<sup>ee</sup>. look at priorities.
- Ch.H. I support it.
- P.M. In principle support it.

C.C.33(58)

21<sup>st</sup> April, 1958

1. Territorial Waters. [Enter E.H., S., G.W., Alport., Att.G.]

P.M. Voting in Ctt<sup>ec</sup>. shows majority in favour of 12 miles. But no recomm<sup>n</sup>. has emerged on defence limit : only a proposal (by majority) on exclusive fishing. In Plenary the Canadian proposal on fishing will come forward – also the Mexico-Indian and the U.S.  
We shd. speak & vote against Canadian (fishing) and Mexico-Indian.  
Sh<sup>d</sup>. we vote for U.S. resol<sup>n</sup>. W<sup>d</sup>. it then be said before Court that we had favoured a 6 mile limit?

Att.G. No. Speech by Gros (France) made it clear tht. such vote on a proposal which failed did not prejudice subsequent attitude before court. U.S. resol<sup>n</sup>. can't get  $\frac{2}{3}$ rds majority. But w'out it we risk swing to the Mexico-Indian proposal. If we can defeat that, there will be no majority in favour of any extension of the territorial sea.

S.Ll. What of declaration?

Att.G. Favoursmaking that if Mexico-Indian proposal succeeds.

Att.G. If Can. proposal on fishing were carried, we wd. have to consider wtr we wd. sign Convention. It might be possible to make a reservation on that particular Article.

P.M. We shd. speak & vote against this Canadian proposal. Agreed.  
Do we vote for U.S. proposal – in order to reduce chance of any proposal getting  $\frac{2}{3}$ rds. majority.

J.H. No obj<sup>n</sup>. so long as no further whittling down.

Att.G. No risk of that. U.S. won't compromise any further.

P.M. Then, qua fishing, we had better support U.S. resol<sup>n</sup>. What of defence?

D.S. W<sup>d</sup>. be happier if Art. 24 (previous authorisation) was made subject to Art. 17.

Att.G. So wd. I. But no chance of getting Art. 24 amended ( $\frac{2}{3}$ rd. majority).  
Only hope is to get  $\frac{1}{3}$ rd. minority for excluding this Article – so that on this ques existing law would rule.

D.S. Art. 17(1)?

Att.G. Has bn. altered by Ctt<sup>ec</sup>.

S. Art. 17 is an improvement.

Att.G. Aircraft. U.S. are as much concerned as we are. We must work with them for some improvement. But if we didn't support U.S. proposal & Mexico-Indian were carried, mil. aircraft wd. be even worse off.  
We shd. state, if majority for U.S. proposal, that before ratification provision shd. be made for passage by aircraft.

- J.H. Indian attitude. C<sup>d</sup>. they be influenced by message from P.M. to Nehru.
- Att.G. Mght be v. useful – if we decide to support U.S. proposal – especially now Sen is in Delhi. Agreed.
- Att.G. Is it agreed we shd. make declaration if Mexico-Indian proposal is carried, by any majority?
- S.Ll. Depends how many countries subscribed to it.
- Att.G. Maritime Powers – a collection which cd. be so described.
- P.M. Mght weaken our pos<sup>n</sup>. if only a few supported it.
- Att.G. Don't want, however, to lobby too many people.

Agreed as above.  
Appreciation for work of Att.G.

2. Aden.

- P.M. Two having evaded arrest, presume you won't deport the third.
- A.L.B. No. If we get Mohammed, we will deport both.
- P.M. We must re-consider situation on basis of who is arrested. Auth<sup>y</sup>. for deport<sup>n</sup>. suspended m'while.

3. Malta.

- A.L.B. Mintoff will resign to-night.

4. The Budget.

- H.A. Propose to w'draw retrospect<sup>n</sup>. Can say to-day that I am considering this – or that I have decided.
- RAB. Not worth having trouble with Party over this. Favour letting it emerge on text of Finance Bill.
- I.M. Yes : otherwise Labour Party may want to vote – having said they won't.
- P.M. On balance favour not making final announcement to-day.

C.C.34(58)

24<sup>th</sup> April, 1958

1. Parliament. [Enter E.H.]

R.A.B. Business for next week.  
D. of Industry Bill : M/L. to be i/c in absence abroad of D.E. (\* Inform Ty.)

2. Foreign Affairs.

S.Ll. (a) Summit Mtg. We are to-day presenting, with U.S. & France, a note briefly stressing advantages of joint mtgs during preliminaries. Believe Soviet Union will soon press sugg<sup>n</sup>. of larger Soviet bloc rep<sup>n</sup>. at Summit Mtg. We must align our views on this with U.S.

P.M. Don't object to facing that now, if U.S. were willing.  
R. look as tho' they are trying to slip out of the Mtg. Evident that whole thing is manoeuvre.

(b) German Support Costs.

H.A. Favourable agreement reached. They wd. support red<sup>n</sup>. of our Forces to 45.000 (fr. 55.000) starting in 12 mos' time. This year £12M to costs : £22½M advance repayment of debt (1962/1964 paymts. onwds) – fr. deposits in Ldn : £50M deposit (across exchanges) for defence order repayment. All this for 58/59. In next 2 yrs. they wd. pay £12 M. to support costs.  
Thus this year £34½ M. to Budget & £62 M. across exchanges.  
But force red<sup>n</sup>. wd. still have to be negotiated in W.E.U. & N.A.T.O. Line to be taken there : acquiesce in present unwillingness of Allies to assent to 45.000 but hope they will assent in future – discussions to continue. But our def. plans are based on assumpt<sup>n</sup>. tht. Forces in G. will come down to 45.000 fr. beginning of next fin. year.

D.S. I want clear basis for planning. But evident Norstadt will oppose.  
Propose we go to NATO (not W.E.U.) & seek their approval. Say we don't intend to go to WEU until NATO have had chance to consider wtr they can supplement G.'s payment for one more year. This wd. mean in effect a U.S. contrib<sup>n</sup>. We shd. decline to find any more money.  
If NATO approval is delayed, our chance of getting it may shrink.

S.Ll. W<sup>d</sup>. wish to test temperature when in Copenhagen. Want to get U.S. support.

P.M. F.O., Ty., M/D. to concert a line on this, before D.S. goes to Copenhagen.

(c) Libya.

S.Ll. P.M. visiting : we can't give him as much money : we must show him favours.

3. Poliomyelitis : Vaccine. [Enter D.W.S.]

P.M. Outlined dilemma – as in brief. If we test, we are bound to have more cases : if we don't, we might get v. many more. Middle course wd. be to abridge the tests.

D.W.S. If we do present tests, there will be waiting – and protests – when U.S. vaccin<sup>n</sup>. is known to be available. This seems to be unacceptable. I therefore favour some adjustment. Later inform<sup>n</sup>. suggests greater delay because large batch of U.S. vaccine is now held up in U.S. for further tests.  
Plan for accelerated tests wd mean doing what M.R.C. regard as 2 more important tests and omitting 3<sup>rd</sup>. and least important. This wd. be practicable & wd. give substantial time saving. It wd. be diff. if M.R.C. were unwilling : if they were, we mght face need to omit all M.R.C. testing.  
Risk of Cutter incident is v. small.

Hail. Value of 3<sup>rd</sup>. test : vid para. 5 of my memo. M.R.C. (para. 9(a)) view is tht. cases are being caused in U.S. by use of vaccine which hasn't bn. thro' last test of M.R.C.  
If we bght. 5.000 litres vice 4.000, we cd. save time.  
As a matter of policy, we cd. dispense with all M.R.C. tests. C<sup>d</sup>. then cover whole short-fall. M.R.C. have advised tht. this risk be not taken. Can we disregard that advice. Last summer, when we decided to use Salk at all, we made great point of add<sup>l</sup>. tests. Diff. to go back on that.  
In a sense compromise is worse. Half-tested gives undue confidence to public : delays p'mme : and disregards.

H.B. } Agree with L.P.  
D.E. }

K. So do I. M.R.C. view on original import of Salk. Also II(iv) of M.R.C. rpt. Prefer solution in L.P. memo. para. 6.

P.M. Matter of judgement. If we do full tests, 300 (prs. 600) wh. need not have occurred. If no tests, prs. 100. (or 500 if Cutter).

K. Don't disregard risk of wrecking confidence in whole vacc<sup>n</sup>. policy.

D.W.S. Remember tht. no test can wholly exclude risk.  
Hard choice for parent if we don't test. But if we do full test many parents won't even have chance of taking the risk.

H.W. } What of sugg<sup>n</sup>. in para. 16?  
H.B. }

D.W-S. 2 inj<sup>ns</sup>. give only 70% immunity. In U.S. they insist on 3.  
Degree of immunity from 1 wd. be so low tht. this wd. be waste of available vaccine.

Ch.H Cutter incident cd. result in far more than 400 cases. What wd. be our pos<sup>n</sup>. then – on revelation of M.R.C. advice? We cdn't survive it. We really have no choice but to follow advice of M.R.C.

D.W-S. We must scrutinise advice of experts. And this advice doesn't stand scrutiny.  
Para. 6 of H.'s memo. wdn't enable us to finish before end/August.



- J.M. Given extent to which Salk is used in U.S., can we not leave choice to parent – giving them full inform<sup>n</sup>.
- M. If you did that, you wd. have also to tell them M.R.C. view.
- P.M. What is greater risk : not to be vaccinated at all or to be vaccinated with Salk not tested in M.R.C.
- I.M. Believe M/H. is wrong, tho' courageous. When we have sought M.R.C. view & know they wdn't support this action, we cdn't risk over-riding it.
- D.W.S. If M.R.C. tests were dispensed with, my M.O.'s wd. be ready to advise G.P.'s on the risk of use.

Agreed : Order 5.000 litres instead of 4.000.

- P.M. Do we i) act on M.R.C. advice ; and publish their report in present or amended form.

ii) dispense with middle course – of abridged tests.

After disc<sup>n</sup>. : Rely on M.R.C. view. Ask them to consider again wtr they cd. accept any kind of abridgement of tests.

After further disc<sup>n</sup>. v. much worried at this rejection of U.S. remedy in face of our failure to produce our own.

- G.L.I. Can't we put this back to M.R.C. in some way. So as to reconcile practical need to use U.S. vaccine and pol. diff<sup>y</sup>. of acting contrary to M.R.C. advice.

- Ch.H. Press M.R.C. on ques why they attach importance to third test wh. failed to disclose virus.

- P.M. To act contrary to view of M.R.C. is not possible.  
But we have clear right to X-examine M.R.C. Ask some of them to meet & discuss with a few Ministers.

[M/H., Ch.H., Hail., M/Ed<sup>n</sup>. to formulate ques.]

Meet on Monday am. Cab. Tuesday.

[Exit D.W-S.

#### 4. Industrial Disputes. Railways.

- P.M. Govt. involved – as banker for rlways & authoriser of developmt. plan. Tho' I wd. have preferred not to be personally involved.  
At mtg. we made it clear to T.U.'s tht. nothg. cd. be done by Govt. in rel<sup>n</sup>. to current a/c : but we wd. see what part we cd. play in a tripartite effort to increase rlways' earning power.  
They asked if this meant no rise before '62. We said no : but must have practical assurance of progress in sight.  
Press got in well in balance. Best line for Govt. is to keep quiet pro. tem. – adhering to line of communiqué.  
Two weeks likely before next confrontation.

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- H.A. Timing of mtg. was right. O.K. so far. Time is on our side. This p'mme throws them out of phase with 'bus strike.
- I.M. Agree. Pol. diff<sup>y</sup>. is tht. some fear we may go further – shd. make it clear that we won't.

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C.C.39(58)

8<sup>th</sup> April, 1958 [sic]1. Industrial Disputes : Railways. [Enter E.H., A.N.]

I.M. Pos<sup>n</sup>, is less gloomy than appeared last p.m. Clerks Union don't want strike : may seek interview with P.M. ASLEF wd. prefer to avoid it : no money. In N.U.R. opinions divided.

Mtg. of 3 Unions may not be held this p.m. If it does, danger of strike. If therefore it is called, propose to send message invitg. them to see me. But, if mtg is not held, sit<sup>n</sup>. wd. be still in negot<sup>n</sup>. stage & I wdn't intervene.

H.W. I agree.

P.M. If moderate views prevail, they will see R. again or ask to see M/L. or P.M. If they go to R., important he shd. go no further. He has played a card (July/Oct.) we had hoped to be able to play ourselves at later stage. Will he be tempted to go further. Wiser for him to prompt them now to approach Govt. Advise him not to go any further.

H.A. i) Hope means will be found to get them to see P.M. before strike is called.

R.A.B. Agree – Govt. had better handle it from now on.

I.M. Invit<sup>n</sup>. wd. be to come & see me to-morrow at 10 a.m.

Agreed : procedure to be as above.

2. Parliament.

R.A.B. Business for next week.

Whitsun recess. W<sup>d</sup>. have announced 2 wks. to-day. But in view of strike pos<sup>n</sup>., wd. be wiser to defer announcement.

Death of Ruff-side, late Speaker. W<sup>d</sup>. wish, after Business statement to express regret & sympathy with relatives. But there is no precedent for doing so. No formal motion, which shd. be reserved for former P.M.'s and other outstanding figures. Agreed.

Ctt<sup>ee</sup>. of Privileges : Propose we leave this until after Whitsun.

3. Parliament : Expenses of Members.

R.A.B. Some Members are urging tht. when M.P. goes to constituency by car he shd. be entitled to 1<sup>st</sup>. class rlyway fare.

H.A. Cdn't be done w'out amendment of Parl<sup>y</sup>. resol<sup>n</sup>.  
Was considered by Sel. Ctt<sup>ee</sup>. (? '45) who recommended only travel by train or air.

P.M. Play this slow. No change at present.

1. Industrial Disputes (resumed)

- P.M. Let us take stock of position. If there is comprehensive transport strike, sit<sup>n</sup>. will be grave. All possible emergency prep<sup>ns</sup>. made, but these will suffice only to feed the people.  
Must be clear about objects of struggle & means of ending it. In 2-3 wks. industrial life wd. be largely at stand-still. Then, either i) men wd. accept R.'s terms. ii) general mood of p. opinion tht. compromise must be found to end it – formula somewhat better than R. has offered. iii) resign<sup>n</sup>. of Govt. wd. be forced – because volunteers insufficient to keep life going. iii) wd. be clear defeat. ii) might well be as bad.  
If we have to fight this battle, we have to reckon with risk that Morris L.J. will give an award to miners (expected at end/May) which, being statutory, is mandatory on us. Finally, we must get pos<sup>n</sup>. in wh. attitude of rlway leaders is so unreasonable tht. our adherence to our principle (no more money for rlways) does not appear pedantic. Otherwise we shan't have support of p. opinion – or get willing volunteers.  
When I decided to see both sides, I did so because Forster Comm<sup>n</sup>. had said : no more money in till, therefore can't have more wages : in effect this meant no wage increase "at present" – tho' wages don't compare favourably with those in other industries. My approach was therefore to see wtr the 3 parties cd. not do somethg. to put some more money in till – by economies etc.,
- H.A. Accept this appreciation.  
Another complication – c/living figure may be 110 (2 points up) but won't come out until 23/5.  
If a strike, most likely outcome will be settlement with some element of compromise. What cd. that be? What room have we for manoeuvre? I see only one possibility – turn into long-term settlement of some kind stemming fr. progressive economies over next 2 yrs. E.g. 2% at Oct., 2% at Apl., & conceivably another instalment in Oct. '59
- .....
- H. C<sup>d</sup>. R. quantify savings to extent to justify e.g. 2½% in Oct.
- H.W. He can't be sure how fast he can go because of pol. pressures etc., Diff. to quantify before July.
- H. Not even if T.U.'s are co-operatg.
- H.W. We wd. be accused of giving wages again on promises vice performance.
- G.L.I. Diff<sup>y</sup>. of present<sup>n</sup>. Sit<sup>n</sup>. is v. diff. from 1926. There was a revolutionary atmosphere post-war : & public saw strikes as such a threat. It isn't so to-day. No atmosphere of bitterness. Public won't see this as a challenge to Govt. This stresses import<sup>cc</sup>. of appearing to have made every effort to avert it. On other hand w'spread dislike of giving wages on promise of co-op<sup>n</sup>.
- Ch.H. Policy : no extra money to £250 M. or to this year's allocation of it. Provided we stick to policy tht. money for extra wages must be found w'in resources of B.T.C., any compromise is defensible – so long as resources can be genuinely foreseen. Stress advantage to all of anti-inflationary policy. That is being lost sight of.
- H.W. By July/Aug. train cuts etc., wd. be in hand. But Oct. before we cd. quantify.

- J.M. Effect on confidence abroad?
- H.A. V. diff to judge. We have assumed Govt. climb-down wd. have worst effect. Prolonged strike wd. be bad. Phased increase plan – wd. depend on what was happening elsewhere on wages.
- R.A.B. Emergency plans.  
 Military : maximum 200,000. Latest estimate : 70.000 – 94.000 is maximum available. Only 74.000 manned vehicles – from Army & R.A.F. Build-up of vehicles : 4.000 a week.  
 Preparatory steps wh. wd. be provocative must be taken soon – e.g. taking vehicles out of moth-balls.  
 E.C.(58)2 will be circulated to Cabinet. E.C.(58)1. on oil.  
 Offls. for Regions chosen & briefed. Ministers ready, tho' not briefed.  
 Procl<sup>n</sup>. of emergency ready. Also Bill on picketing.  
 Posters etc., for appeal for volunteers.  
 Stocks : retailers have 2 wks' stock.  
 200/300 trains a day. cf. 40.000 a day – passenger & freight.  
 We can't know what sit<sup>n</sup>. mght be like. We can't offer immed<sup>te</sup>. pay increase.  
 But we shd. enter on strike only if satisfied tht. we have done all we can to avert it.
- P.M. Diff<sup>y</sup>. is a moral one. We have set out to get econ. in balance. We have had some success. Economy has bn. a little deflated. But in private industry, some, still a big profit margin & despite our monetary measures they have bn. free to increase wages. Others have had to reduce. On balance, however, wages have risen in private sector. Weakness : only sector we control (rlways) men have best case for some increase. We can't control agric. wages : or gas. electr. or coal because arbit<sup>ns</sup>. are binding on us by statute. Thus, if wage award given to miners' or if c/l. index goes up 2 points, at height of dispute we are in embarrassing pos<sup>n</sup>. Only sector in wh. we can enforce our genl. econ. policy is one where we & public have prs. greatest sympathy with the men.  
 Problem now – how evaluate savings & when begin to share it out. I fear evaluation. Experts will whittle it away. I wd. prefer to rely on performance – honesty of intention to make the savings – offer to pay when it is seen that savings are beginning to accrue. Meet in July : P.M. to preside : get reports on what has bn. done and what progress is being made. If satisfied that it is moving on basis of memo. of understanding, then say 2% : look again in Jan. & agree on further 2%.
- Ch.H. W<sup>d</sup>. be consistent with our genl. policy to accept monthly mtgs. to review progress of economies.
- H. A p'mme.
- H.W. Yes : so long as you don't give wage increase in advance.
- J.H. Definite promise of 2% in Oct.?
- E.H. Feeling in H/C. – mtg. last p.m. accurately reported in Times this a.m. Any wage increase must come fr. actual savings. Nothing shd. be given on basis of mere promises.

If they felt that anti-inflation policy was being abandoned, a no. of moderate supporters wd. w'hold support – and abstain on a division.

4. Butter. [Enter V.M.]

- H.A. Summarised various alternatives. Views of E.P.C. Rejected £5M. plan, as most unlikely to satisfy N.Z. Fin. assistance to N.Z. dairy industry direct wd. be v. dangerous precedent – not only with A & N.Z. but with other Doms. and Colonies.  
E.P.C. therefore concluded tht. best course was to go for voluntary agreemt. with countries concerned. If that failed in resp. of any country, be ready to impose counter-vailing duty on that country. Full of diff<sup>ies</sup>. in GATT ; and other repercussions. But we passed the Act : and can't explain to N.Z. why we shdn't use it.
- V.M. Distinguish betwn. action v. countries subject of complaint and any private rep<sup>ns</sup>. to others.
- H. Case put by N.Z. has bn. proved. Favour use of duties, either directly or as proposed by E.P.C. – I prefer latter course. But we shall have to say  
i) quantities must be acceptable to us & N.Z.  
ii) time-limit.  
Skinner shd. accept this.  
Think there shd. be a credit – but only in return for concession by them on preference disc<sup>n</sup>.
- V.M. Sh<sup>d</sup>. inform Skinner before he goes to Denmark. Statement shd. be made in H/C. on Tuesday.
- R.M. From my angle, avoid row with N.Z. at this time.
- J.H. Butter consumpt<sup>n</sup>. rising because price competitive with marg. If price goes up too much, consumpt<sup>n</sup>. wd. drop.
- H., V.M., & J.H. to explain dec<sup>ns</sup>. to Skinner.  
On credit refer him to H.A.

C.C.40(58)

12<sup>th</sup> May, 1958Industrial Disputes – Railways.

[Enter E.H.]

- I.M. Report of Friday's mtg. circulated.  
We know tht. c/l. index will go up by 2 points, to 110 on 23<sup>rd</sup>. May. Viz., after strike notice but before strike.  
Dec<sup>n</sup>. to strike has bn. taken by N.U.R. Held by invit<sup>n</sup>. to M/Labour : but not rescinded. New sit<sup>n</sup>. will need to be created if it is to be changed.  
My concl<sup>n</sup>. after Friday : unless we cd. devise some package deal with July date, strike inevitable – to begin soon after Whitsun. Can't play it out much longer.  
Miners' claim. Morris L.J. will give award at end/month. He will be influenced by rlwy settlement – but also by c/l. increase.
- H.W. Have bn. seeking economies add<sup>l</sup>. to £10 M. Can raise that to £12½ M. by honest & defensible means. This will come in, additional, over 12 mos.  
R. remains firm tht. he can't begin to pay until Sept. if he is to wait until money is coming in.
- P.M. Have seen R. He agrees £12½ M. genuine over 12 mos. from October. That wd. warrant 4% wage increase – for full year. £10 M. wd. be rather more than 3%.
- I.M. Believe we can settle for 3% from July.
- P.M. R. thinks he will have to offer 4%. He proposes 3% from July rising to 4% in October. The first 3 months wd. anticipate earnings. He prefers a final 4% to avoid fresh claims.  
He wd. begin with offer of 4% from Oct. with retrospective paymts. fr. July on basis of 3%. He wd. then go to 3% fr. July and 4% fr. October.  
He also wants to base this on arbit<sup>n</sup>. report – regret tht. rlwy wages are below others : have sought therefore to increase earnings of rlways : make the offer.  
Wishes me to see the T.U.'s & tell them no more can be paid than is saved by these means. Also promise enquiry into wage structure : will take 12 mos : will involve increased cost : but is overdue. W<sup>d</sup>. help to lift it out of c/living "rounds".  
Worst course wd. be to have it all again in autumn. If we settle, we want somethg. which will stick.
- I.M. Worried by 4% sugg<sup>n</sup>. This will set pattern for the year for other industries.  
Had envisaged £12½ M. as means of paying 3% from July, not as justification for 4%.
- H.W. R. wd. be content with limit of 3%.
- ALB. Will economies be realised?
- P.M. If they aren't, it's more likely to be because of H/C. than because of B.T.C. or men.
- H.A. Can assent to 3% on basis of £12½ M. – but not to more.  
Also reaction of 4% on other industries.

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- I.M. I agree. In 1957 we erred in raising rlway from 3% to 5% : we thus set pattern for 1957. We shall be raising them now from 0 to 3%. Don't set a pattern for 1958 of 4%.  
Sure M/P. wd. endorse this qua effect on engineering etc.,
- H.W. Favour enquiry into structure. W<sup>d</sup>. give peace for 12-18 months.
- H. May weaken pos<sup>n</sup>. politically. Will be seen to involve more cash.
- A.L.B. No : Party view is that cake is not properly divided.
- H.B. Fear this – as sign of weakness.
- R.M. Broaden it to efficiency?
- H.W. Will cover numbers, as well as wage structure.
- P.M. Mght help men to accept 3% : mght be difficult to get Party to accept.
- E.H. Will be hard enough to sell “3% in July” to the Party – in H/C. and in country. They are sceptical about possibility of economies.
- P.M. Economies are £12½ M. on top of £15 M. designed to keep his deficit w'in £61M.
- Hail. Agree this settlement will be hard to justify to Party. But can we get public opinion as a whole to support us in a strike. On balance therefore I support M/L.
- H.W. R. thinks chance of settlement will be increased if he offers enquiry at same time.
- J.M. Any settlement will be taken as “victory” for T.U.'s. But, contrariwise if there is strike, public won't understand why.
- H.B. Shall we next be asked to weaken on bus-strike?
- I.M. No.
- RAB. There will be other strikes too. In particular, oil tankers : docks (lightermen).
- P.M. We have tried to check inflation. Device of limiting money supply was mine, not P.T.'s. I never regarded it as doctrine : only to create a climate. We don't breach that policy if award is not such that all other industries are undermined. Obvious tactics are not to invite all comers, but to leave strikers in isolation so far as possible. Settle rlways therefore and isolate Cousins.

Agreed (2) better not to publish enquiry on structure at same time. If need be, R. can mention it.

I.M. If he needs this card to get a settlement, shdn't he play it.

P.M. Too dangerous because of feeling in Party. Agreed : play it if need be.

(1) Authorise R. to offer 3% from July.



C.C.41(58)13<sup>th</sup> May, 1958

1. Summit Meeting. [Enter E.H.]

S.Ll. F.D. wdn't concede principle : tho' he wdn't object to move on their side ad hoc for a particular meeting.

P.M. Not v. sensible, or practical.

S.Ll. We have pledged ourselves tht., if mtg. is larger than 4, Italy shall be added on our side.

P.M. Can't break off on composition.

2. Antartic.

S.Ll. Have said, in H/C. y'day, tht. we wd. welcome a conference. Confined to non-militarisation & co-op<sup>n</sup>. on science, tho' we wd. hope to add freezing of sovereignty.

3. Security in Colonies.

K. As in memo.

P.M. Useful exercise. Can now be ended.

4. Territorial Waters. [Enter Att.G., Selk.]

P.M. As in brief.

S.Ll. Plan wh. Iceland Govt. are considering now is :-  
 Extend base-line in accordance with proposal wh. commanded majority at Geneva.  
 Proclaim 12 m. limit.  
 Allow those with historic rights to fish within 12 up to 4, subject to cond<sup>ns</sup>.

Pressures are being m'tained & they may come round. But Comm. elements are strongly opposed, & Govt. may fall.

Guidance needed, however, is what action we take re own trawlers if they do unilaterally extend limit to 12 miles.

P.M. If a complicated move, we shd. have to object in principle to unilateral action but shd. then take time to consider its effect. M'while no force.  
 If 12 miles flat, situation wd. be different.

J.H. Yes : we shd. then have to take some practical action. Fishermen cd. be disciplined to fish w'in area Adm<sup>y</sup>. wd. protect. We cd. then say we didn't accept unilateral decl<sup>n</sup>. : wd. send warships to protect trawlers engaged in lawful fishing : these wd. re-act to any violence shown by Iceland warships. On that basis I

believe I cd. dissuade them from a ban on landings, wh. is in any event ineffective because 60% of Iceland's fish goes to Soviet zone.

S.LI. Diff<sup>ies</sup>. i) Is such action practicable? ii) Risk to NATO base, wh. is essential to early warning chain.

P.M. Not a NATO base. A U.S. base in a country wh. happens to be in N.A.T.O.

Att.G. U.S. mght fear tht. Iceland's example mght be followed by Canada.  
We can base action (force) on Corfu judgement. In law it wd. be fully justified.  
It cdn't be "passive" : our ships wd. have to prevent arrest of our trawlers.

S. i) Only means of stopping arrest wd. be to sink Iceland warship : That is unthinkable. ii) Can't put more than 2 or 3 ships there at a time. iii) H.M. ships re-fuel in Iceland.

J.H. On ii) force cd. be augmented.

P.M. We shd. have a plan of action – incldg. reference to U.N. etc.,

K. <sup>x</sup> C<sup>d</sup>. Att.G. provide clear statement of our powers in such a case.

Agreed : Att. Genl. to do <sup>x</sup>  
Ctt<sup>ec</sup>. of F.O., Adm<sup>y</sup>. & M/Ag. to make plan for  
military & political action.

J.H. Co-op<sup>n</sup>. of trawlers wd. be needed to make plan workable. [Exit K., Selk.

5. Wages Policy : N.H.S. [Enter D.W-S.

Note not taken. [Exit D.W-S.

6. Butter.

H. As in memo.

J.H. i) Let it be final : no bargaining with Skinner. [Enter V. Morgan

S.LI. Objective of weaning Poland away from R. This wd. be smack in face for them.  
Nash shd. understand our need to keep them in our market.

P.M. We are not bound to continue this. If supplies decrease & price rises, we must be free to lift it.

SLI. C<sup>d</sup>. we merely tell Poles "no more until 1<sup>st</sup>. Jan."

V.M. Yes : no obj<sup>n</sup>.  
Avoid promise of 40.000 t. Can't be sure. Announce measures, not result.

H. Shall promise statement by D.E. early next week. On B/T. day. Tuesday. Draft to be settled by H.A. and R.A.B.

7. Agriculture : Assistance to Small Farmers.

H.A. Accept the "small farmers" scheme. Good & easy to defend. The supplementary plan is more difficult. There may be too many who will live on this w'out putting in for the other. We shd. look again at scale of paymts under suppl. scheme. Also appears now that only £10 M. of the £15 M. cd. be recovered under price review. We cd. take it into a/c. in rel<sup>n</sup>. to "tough" settlement : but doubt if we cd. get it all back by that means.

Admin<sup>ve</sup>. burden. 200-250 add<sup>l</sup>. staff. Strain on advisory services. W<sup>d</sup>. sooner see it started on a smaller scale.

J.H. Share this concern about suppl. plan. But i) already a marginal scheme, to end in Aug. To continue it wd. cost £3 M. – as cpd. with my £5 M. This is the only new money. It is for prod<sup>n</sup>. grants : wh. will increase efficiency & incomes – wh. helps us on price review. A safer method than guarantees. On admin<sup>n</sup>. My Dpt. believe they can carry it. I don't want to be committed finally to size of plan, for I have to negotiate it with N.F.U.'s. May I discuss w'out commitment, & seek final approval from Cabinet after my talks with N.F.U.'s.

H.A. But depends on definition of qualification.

R.A.B. i) 45,000 of these are in N.I. If scope is reduced it will be blow to N.I.  
ii) Designed to transfer paymt. to small farmer. Does it?

J.H. Yes : the £3 M. will rise to £4½.

H.A. And in all it will give another £12 M. less anything they lose on prices.

Agreed: M/Ag. to start disc<sup>ns</sup>. with N.F.U.'s, w'out commitment & preferably w'out disclosing details of definition (income or acreage).

8. Egypt : Financial Negotiations.

Note taken.

M/State F.O., (O.G.) to be Chairman of interdep<sup>l</sup>. Ctt<sup>ec</sup>. to consider methods of determining claims.

C.C.42(58)

13<sup>th</sup> May, 19581. Lebanon.

- S.LI. Described situation in Lebanon.  
Chehab, C-in-C. Lebanese Army, is opposed to Chamoun. If he wished to do so, he cd. control internal security w<sup>o</sup>ut aid.  
Chamoun wishes to stand again for Presidency, but wd. have to amend the constitution in order to do so. We wd. have preferred to find another pro-western candidate, but none can be found ; & we & U.S. have therefore agreed to back C. for re-election.  
Pos<sup>n</sup>. is deteriorating. Can only be held if we & U.S. promise intervention in response to an appeal from him. Unless we arrest this drift, Lebanon will be absorbed into U.A. Republic. Chamoun has also made his appeal to France.  
Form of intervention : small no. of troops to help m<sup>a</sup>intain order.
- D.S. Act quickly.
- H. Wise to involve ourselves in internal politics of L.?  
W<sup>d</sup>. it not have bn. better to complain of Syria to U.N. and Anglo-U.S. forces go in to hold sit<sup>n</sup>. until U.N. force can be extended to Leb.-Syria border.
- P.M. Main burden – mil. and U.N. – will be carried by U.S.A.  
If L. were forced into U.A.R., serious blow to us. Iraq cd. hardly stand out.  
If U.S. see this danger & are ready to act, shd. we not associate ourselves with them?  
Pity the French were asked too – because of effect on Arab opinion.
- S.LI. Jebb thinks they wd. gladly back out, if pressed.
- P.M. Copy of our outgoing tel. shd. go to Wright (Bagdad) – who shd. be asked to protest if likely to offend Iraq.
- S.LI. Agree that we must keep on side with U.N.
- H. More than that, there may be ground & opportunity now to charge Egypt and Syria with aggression v. a small neighbour.
- S.LI. It must not impede immediate military action. There is danger in H.'s sugg<sup>n</sup>. from that angle.

Agreed : Spk. to U.S. as proposed.  
Keep French out.  
Bring Iraq along.

2. Cyprus.

- P.M. Regret to have to re-open earlier decision to move boldly to tri-dominium. But Govr., on internal recept<sup>n</sup>. & Ambassadors, on recept<sup>n</sup>. in Athens & Ankara were critical ; and F.D. lukewarm. Therefore asked Govr. to return for consult<sup>n</sup>. and together we evolved alternative plan in C.106.

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[N.B. left mtg. to inform F.O.S. of Item 1.]

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C.C.43(58)

15<sup>th</sup> May, 1958

1. Parliament. [Enter E.H.]

RAB. Business for next week.  
Thursday – Supply – probably debate on Cyprus or aircraft production.  
Whitsun Recess : will announce dates as provisional.  
Motion referring to Ctt<sup>ee</sup>. on Privileges the report of Judicial Ctt<sup>ee</sup>. : will consider  
wtr to put it down before or after Whitsun.

2. Territorial Waters. [Enter Att. G., Selk.]

S.LI. N.A. Council will discuss tomorrow. F.D. is deprecating use of force. But now  
seems likely that Iceland will unilaterally declare 12 miles.

P.M. Alternative courses, as set out in memo.

S.LI. Diff. to decide dipl. line until known how Iceland proceeds – i.e. wtr they give  
notice or put it into force at once. If the latter, course C. can't be deferred – save  
to extent of saying we will do it but are ready to discuss m'while.

D.S. Iceland cd. interfere by sailing thro' nets.

Att.G. But that is force.

Att.G. If we don't react firmly, we shall trigger off not only other fishing claims but also  
action to establish 12 mile limit for defence.

Hail. Also weaken our legal case, for acquiescence is regarded as acceptance.

Att.G. Their unilateral decl<sup>n</sup>. is likely to be on lines of U.S. proposal at Geneva save that  
rights of traditional fishing wd. be only for a period of years.

P.M. To what extent is Course C. practicable? Can trawlers fish there w'out going into  
I. ports?

J.H. Think so, in summer. Believe we cd. get them to co-operate and accept discipline  
at least for a time viz., keep w'in limits prescribed by R.N. Risk is that after a  
time some will break off and go it alone.

P.M. We cdn't be expected to protect those who go it alone.

Att.G. Protect if you can.

[P.M.] Can add<sup>l</sup>. ships be provided? Selk. Yes, for a time – at cost of some interference  
with training for NATO tasks. If I. were determined, it mght involve casualties or  
even sinking of an I. ship.

K. If we say that we are going to enforce our rights under internat<sup>l</sup>. law, there is some  
hope that I. won't go to extremes.

- S.LI. What damage can I. do to us? Refuse facilities – both sea and air – for B. interests.
- ALB. We cd. retaliate : they have a civil airline.
- P.M. What will U.S. line be? We must tell them what we intend. And use arguments tht., if we did less, our trawlers wd go and fish and there wd be an incident. I.e. we can't avoid the issue.  
Instruct rep<sup>ve</sup>. in NATO. to warn others we are going to be tough.  
F.O. to draft statements related to various possible I. declarations.
- Att.G. Also a statement for U.N. on act of aggression if they sought to arrest a Br. trawler outside existg. limits.
- J.H. C<sup>d</sup>. M/D. arrange for unarmed Shackleton's to shadow I. gunboats. Agreed.  
C<sup>d</sup>. I bring fishing industry into consult<sup>n</sup>. now?
- P.M. Discuss in confidence with Chairman (a General R.M.) various possibilities w'out indicatg. Govt. decision. Agreed.
- J.H. Industry will expect compens<sup>n</sup>. from H.M.G. if a vessel is sunk.
- H.A. No commitment on that. What can they do at Lloyds?
- Att.G. On Conference we shd. seek to keep initiative. Memo. to Cabinet.
- P.M. Yes. But Take up executive action thro' Hayter's Ct<sup>ee</sup>. & C.O.S. With O.G. or A.N. in Chair vice official.  
[Exit Selk.]

3. Industrial Disputes : Emergency Plans.

- R.A.B. All prep<sup>ns</sup>. made which can be done in advance.  
No further action until we know what action Unions will take.
- I.M. N.U.R. meeting this a.m. 17:5 against offer : even on strike. Danger now is tht. N.U.R. will keep talking until 23/5 announcem<sup>t</sup> re c/l. etc.,
- H.W. No further offer will be made by R.  
[Exit Att.G.]

4. Cyprus.

- P.M. Statement of new plan revised in light of Ambassadors' views.
- A.L.B. Para 4 VI. All now support fixed period of 7 years.
- D.S. Don't wish to be committed to going on for 7 years, whatever happens. Some inconsistency betwn. para. 4 VI and 5. We must be free, if nothg. works to consider other solutions incldg. partition.  
W<sup>d</sup>. prefer 4 VI to be in terms of "H.M.G. consider that it will be necessary" i.e. to link it with success of plan.

P.M. Enough to explain tht. this (4 VI) is inherent in plan : tho' if it went well, 5 mght come earlier.

D.S. But what if it went badly?

P.M. 4 VI wdn't commit us in fact. But we cdn't say so now – would invite failure.

R.A.B. “Under this plan” – inserted after “operation” – Agreed.

A.L.B. In X. for “have a choice” substitute “exercise authority” – Agreed.

Timing.

A.L.B. Oppos<sup>n</sup>. were critical, in convers<sup>n</sup>. with Foot. i) They said this wd. seem attempt to continue B. sovereignty. Suggested it wd. help if NATO endorsed our retention for 7 years. ii) They wanted future left open : they cdn't drop support for s.d. & opp<sup>n</sup>. to partition. But we can't abandon our pledge to T. This rules out (ii). On (i) we mght do something.

S.Ll. H.G. told me he wd. like to help. “Can't you leave all open after 7 yrs.” On N.A.T.O. dangerous to invite “endorsement”. But no harm in havg. discussion in N.A. Council after comm<sup>n</sup> to G. and T. but before announcement. We cd. offer that to Opposition.

D.S. Warning re diff<sup>y</sup>. of m'taining our pos<sup>n</sup>. in C. if this plan fails. Statement in H/C. Mon. 19/5.

5. France.

S.Ll. Reported latest situation.

6. Lebanon.

S.Ll. After consult<sup>n</sup>. with F.D., U.S. and we have said tht. if asked we will give assistance in m'taining internal stability.

D.S. 3 Batt<sup>ns</sup>. cd. move fr. Cyprus. C-in-C. auth<sup>d</sup>. to bring them to state of readiness to extent possible w'out indicatg. use outside C.

S.Ll. Situation may be restored w'out our intervention.

7. Aden.

A.L.B. Our party (with U.S.) have returned. Govr. feels he has all the powers needed.

P.M. Counter-battery action v. guns in inhabited areas. Can we leave this on basis of no general auth<sup>y</sup>. – but to be reported to P.M. for decision in each case. (It hasn't bn. needed h'to.) Agreed.



C.C.44(58)

21<sup>st</sup> May, 19581. Industrial Disputes. [Enter E.H.]

I.M. Thght I shd. appear to be takg. some interest before we dispersed for Whitsun. Neden is therefore seeing both sides. No link betwn. rlwy settlement & this. No sign of any move by T.U. May be a v. long strike.

R.A.B. Prepared for extension e.g. to power stations via E.T.U.

P.M. Rlways. Economies shd. be seen, soon & noticeably.

H.W. Announcg. to-day tht. no of trains will be w'drawn after Whitsun. Also 20 appl<sup>ns</sup>. to close branch lines.

2. Foreign Affairs.a) Lebanon.

S.LI. More of country under Govt. control. Pol. sol<sup>n</sup>. more likely – on basis of Chamoun yielding Presidency to Chebab. Decision is for him to take. State of readiness of our forces shd. be m'tained, m'while.

P.M. C<sup>d</sup>. we not reduce nos. of B. forces to be flown in, as 6<sup>th</sup>. Fleet is nearer. M/D. to consider this. On basis of hardship to troops not that we think situation is easier.

b) France.

S.LI. Jebb thinks considerable chance of de G. coming into power constitutionally w'in next few months. Suggests rapprochement betwn. de G. & Mollet – I think tht. unlikely. But risk remains of violent coup d'état by military, who cd. take Paris – as all best Fr. troops are in N. Africa.

P.M. We shd. avoid any pronouncement on N. African affairs. Also any advice to French. Jebb shd. be restrained.

c) Muscat & Oman.

S.LI. Sultan is coming here. Inter-depl. ctt<sup>ee</sup>. to review what we can give. We must tackle him on Gwador & Buraimi. On B. wd. wish to sound him on basis of some condominium in return for Saudi recognition of his frontiers.

[Enter Selk., Att.Genl.]

3. Territorial Waters.

S.LI. Discussion in N.A.T.O. y'day. Iceland's proposal was met with hostility from all save Iceland. Spaak has appealed to I. Govt. But likely tht. they will announce unilateral decision on Friday. And we shall have to make our pos<sup>n</sup> clear. Not

satisfied with 1<sup>st</sup>. draft. Only ques for Cab. is wtr we shd. make plain now our intent<sup>n</sup>. to protect our trawlers.

Att.G. Favour its inclusion. Shan't get progress until we show firmness. Also if we are to protect, we shd. announce our intention to do it in advance.

S.LI. Our friends don't like our standing so firm & we shall be blamed if effect is to cause I. to leave N.A.T.O.

P.M. Iceland Tel. 263. We must watch that position.

Att.G. Make our decl<sup>n</sup>. fairly soon after I. announcem<sup>t</sup>., if latter has auth<sup>y</sup>. of I. Govt. Important to make our pos<sup>n</sup>. clear – also to protect successfully on first practicable occasion.

Agreed : terms of statement to be drawn up by F.O. & Att.G., and circulated to Cabinet : action on it to be approved by P.M.

J.H. Wish to see leaders of our industry at end/week & get their co-op<sup>n</sup>. W<sup>d</sup>. prefer to tell them privately not to ban I. landings rather than include it in statement.

Agreed : Omit from statement. Defer talks with industry until we know what I. Govt. do.

H. This action will bring U.S. as well as Canada on to I.'s side.

Agreed : Cab. to see revised draft on Thurs.  
J.H. not to see industry until I. Govt. statement made.

Att.G. Instructions to R.N.  
Attention to (e) Excludes firing on B. trawler with Br. crew on bd.  
(f) But warning may be given that shot may be fired v. towing I. ship. Linked with (g), wh. makes use of (f) less likely.

Selk. If H.M. ship is there at time of arrest, we can handle this.  
Don't think (f) second sentence is necessary.

P.M. Must have a clear line on this.

Agreed : no firing first : therefore delete second sentence of (f) and first phrase of (h).

Para(h) ? If I. opens fire, we can retaliate shot for shot, without intent to sink.

Att.G. Risk of dispute as to who shot first. Prefer therefore not to return fire on first incident. Break off & make protest or reference to U.N.

P.M. Para 3. last sentence – in terms of firearms or explosives not weapons.

Agreed : revised draft to be submitted to Cab. Thursday.

[Exit Selk. & Att.G.]

4. L.G. Reform : Education [Enter D.W-S.]

G.L.I. I started this here but admit that is dead.

5. Government Expenditure.

H.A. A warning note. Revenue increase will slow down & won't absorb this sort of expenditure.

H. Staff ceilings – can't keep w'in rigid rules.

H.A. Compensations elsewhere – esp. C.O.

A.L.B. But I need more.

H.A. Stand firmer v. supplementaries. Reject new exp<sup>re</sup> because not included in Estimates.

P.M. Call for restraint in expenditure – generally.

R.A.B. Need for more prisons. 5,000 sleeping 3 in a cell. 40% increase in Borstal and young prs. in 18 months. This wd. be an addl. item for your para. 8. Proposals submitted to Cabinet.

S.L.I. Military assistance to f. countries. We are charged (by Service Dpts) a very high rate – e.g. for training officers. Agreed : Ty. to examine this.

[Exit E.H.]

6. Steel : Location of Strip Mill.

P.M. Opinions sharply divided. Can't be reconciled.

Doubts about need for immediate decision.

P'pone until after Whitsun.

M'while let us reflect –

a) Sh<sup>d</sup>. national consid<sup>ns</sup>. in our U.K. over-ride economic consid<sup>ns</sup>.

Disproportionate burden of unemplt. borne by Scotland.

Equally strong Welsh opinion.

b) You wd. never give industrial cert. to I.C.I. to put such a plant at Newport viz. D/Industry argument.

c) Plant can only be built by Govt. loan – to a nationalised co. R.T. & B. or to private firm who wd. carry little of cost on equity.

Much turns on management; R.T. & B. and S.C.O.W. have the know-how. But Sc. firms now seem readier for a consortium to run it in Scotl.

What relative priority are we to give to these groups of considerations:

Is it possible tht. right course will be to p'pone erection altogether.

M. Also bear in mind cost of product.

At present steel capacity is under-employed. Legit. excuse for delay. Steel trade disposed to think plant wdn't be needed until '67. We mght be able to make statement justifying p'ponement.

Report of Steel Bd. has bn. held up pending our decision. Read passage fr. draft favouring Newport location. Sh<sup>d</sup>. I get them to delete.

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- P.M. But their view is explicitly related to economic point of view. We don't contest that. Prefer they shd. not go on to refer to proposals of R.T. & B.
- I.M. But even first part wd. prejudice case v. Grangemouth.
- P.M. Better if all were omitted. But unwise to press them.
- D.E. Deprecate delay. Recession in demand for steel is temporary. We shd. "buy the shares at the bottom" & be ready for re-expansion.
- P.M. I wdn't delay if I cd. get the decision.
- H.A. Support D.E. W<sup>d</sup>. be unfortunate to appear at this stage to lack faith in expanding economy.
- M. I will consider, with Bd., how management cd. be arranged if it had to be located in Scotland. In a month.

Agreed : Consider again in a month.

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C.C.45(58)

22<sup>nd</sup> May 19581. Industrial Disputes. [Enter E.H.]

I.M. } Reported results of discussions yesterday at M/L. with rep<sup>ves</sup>. of both sides in Ldn.  
 H.W. } bus dispute.  
 Elliot wants to meet T.U. now – w'out first coming to M/T. He evidently wd. like to settle : tho' previously he was for standing firm.

M. Can't now go for settlement outside award of Ind. Court. Generally agreed.

H.W. He will say that in the end we shall have to settle – by compromise of some sort. But I must say this is not the moment.

P.M. Conditions must eventually be determined by Govt.  
 x| E.g. cost must not be more than £1 M. : some differential must be preserved :  
 | [Green Line crews mght prs. be put on same basis as Red, or given some  
 | improvement.] {?Review mght be brrht fwd?}

I.M. [ ] is only area in which we cd. suggest compromise at this stage.  
 If we make no move at all now, strike will probably extend – e.g. to docks,  
 E.T.U. in underground etc.,

P.M. Let J.E. see Cousins. Tell him he must not seek settlement outside award. But he cd. tentatively suggest some improvement for Green Line.

H.A. He shd. surely say tht. strike has made it even more diff. to find the original £1 M.

H.W. Yes : we shdn't even discuss possible compromise now.

Agreed : J.E. to be instructed on lines of x/. less { }

2. Bank Rate.

H.A. Bank rate is being reduced to-day to 5½%. Red<sup>n</sup>. of half a point.

3. Parliament.

R.A.B. Business for week after H/. resumes at end of recess.  
 10/6. Debate on disarmament.  
 S.L.I. to consider wthr. W. Paper shd. be publ<sup>d</sup>. giving W. proposals – they are not prominently in public mind.

4. Territorial Waters. [Enter Selk., Att.G.]

Draft of public declaration. Omit para. 2. Agreed.

Hail. Open 2<sup>nd</sup>. para. This is unilateral decl<sup>n</sup>. wh. cannot alter intern. law. Agreed.

S.L.I. Para. 3 last sentence : re-draft to make it more apparent tht. we shan't use force unless I. do so first.

J.M. Delete references to "compromise" in para. 6. Agreed.

Instructions to R.N.

Agreed no live shot across the bows.

Selk. Is it right to require H.M. ship to w'draw if live shot fired by I.

P.M. Yes. Strengthens our case before U.N. Risk of controversy over who fired first shot.

D.S. Don't fire on first occasion. But, if they do fire, protest to I. and to U.N. and then give full protection with right to retaliate.

Selk. Para. 10. Give 3 warnings & then fire to neutralise I. guns, not to sink other ship.

Agreed : Substitute Selk. formula, as para. 8 : del. 10.

Timing.

J.H. Make our decl<sup>n</sup>. as soon as poss. after I. declaration. Agreed.  
Let me then see fishing industry as soon as poss. thereafter. (i.e. after I. declaration). Agreed.

5. European Free Trade Area.

[Exit Selk., Att.G.  
[Enter E. Marples.

P.M. Faure & Marjolin have said Fr. situation is such tht. France can't go further with F.T. Area – and may even have to break out of Common Market, if de Gaulle comes into power.

Therefore no need to consider these pp. to-day. Agreed.

6. Postage Stamps.

E.M. As in memo. I am against it.

J.M. Gt. majority of Scotsmen don't want it.  
But Boy Scout stamp is awkward precedent because B. Powell's centenary as well as 50<sup>th</sup>. year of Scouts.  
Will overprint be conceded?

E.M. Yes : if someone pays for it.

J.M. Must not be paid for by Sc. Nationalist movement.

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[C.C.46 and 47(58) occurred while I was in  
Washington & Ottawa with the P.M.]

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C.C.48(58)

17<sup>th</sup> June, 19581. Cyprus.

[Enter E.H.]

P.M. Preliminary consult<sup>ns</sup>. held as planned.  
At N.A. Council G. & T. reactions were more reserved than seemed likely. Others commended the plan. With result that at 7 p.m. they (Spaak) asked for 48 hrs' p'ponement of statement to give chance to N.A. Powers to urge in Athens & Ankara tht. due consid<sup>n</sup>. be given to the plan. Tho' I have already told leaders of Opp<sup>n</sup>. Parties of statement, this appeal can't be disregarded. Much to be gained by acceding to views of our Allies & giving them chance they ask for. Will therefore state in H/C. tht. statement will be p'poned for 24 hrs.

S.Ll. Doubt if N.A. Council are right to make this request. But, now it's made, we can't reject it.

Agreed : interim statement in terms approved.

H. Proposed reply to Teviot's ques on Makarios being invited to ecclesiastical conference. W<sup>d</sup>. sooner say : no power to exclude M : wtr he comes to ecclesiastical conference is for A'bishop.

P.M. Don't be rough about M. – he seems to be only one who favours our plan!

Say : B. subject : no power exclude him : dec<sup>n</sup>. wtr to invite him to this conference was ecclesiastical not political question & A'bishop was so informed. Agreed.

Hail: If he can't be persuaded to p'pone his Ques.

2. Industrial Disputes.

I.M. Bus Strike. 42 voted in favour of return : 41 against : 1 tie. V. embarrassing for Cousins. Assume tht. he will have to start negotiating. He cdn't get it going again 100%.  
Smithfield – appointed Ctt<sup>ee</sup>. of investigation. Unusual because unofficial strike : but this is root of whole docks situation. Employers favour it : so do T.U. leaders in docks, not in S'field.  
Docks. 7.000 are staying out (Tooley St.). Employers' organisation is behaving well, but one (Borthwick) outside it who won't guarantee not to use unregistered labour.  
Dock pay claim. No particular merit. Last risk May '52. Employers likely to reject. Neither side wants arbit<sup>n</sup>. Strike likely in 6 wks. National claim.  
Stoppage, if any, wd. be w'spread.

P.M. Emergencies Ctt<sup>ee</sup>. shd. consider what action cd. be taken in face of a national dock-strike. Study to be made.

3. Economic Situation.



- H.A. Exports : investment : consumption – this wd. be order of re-inflation. We are beginning on the first : a little.  
On investment – we are completing annual review and shall have to consider in July wtr ceiling for next year shd. be raised. That's public investment. In private sector there are now signs of a falling off. We shd. begin to stimulate activity. Some encouragement given in Budget. Shd. give more now. Therefore in Rpt. Stage proposing to raise by another 5% the increases we had bn. proposing to make on initial allowances. W<sup>d</sup>. cost £18 M., but wd. get this back on income & profits tax in due course if it results in stimulating activity. If agreed, wd. announce this afternoon.
- M. Right course. But doubt if alone it will make much difference to investment.
- D.E. I do too. People holding back on doing so because of low sales not high taxes. Other remedies wd. be more effective.
- H.A. Agree – & shall be considering these. But this, if it has to be done at all before next year, must be done to-day.

#### 4. Lebanon.

- S.L.I. Situation is deteriorating.  
Chehab is not taking resolute action : Govt. won't sack him.  
U.N. observers are unable to get about. H. is going there himself. H. is asking for large nos. & looks as tho' he may be aiming at U.N.E.F.  
Now, we cd. prob. not intervene w'out reference to Sec. Council – as their observers are there.
- P.M. Will call Cab. at once if critical situation develops.  
Position has bn. changed by Sec. Council resol<sup>n</sup>. – but on the whole to our advantage.

#### 5. P.M.'s Visit to N. America.

- P.M. Washington. Macmahon Act amendment is in the bag, and the bi-lateral will be tabled in time to become effective before Congress rises. Its terms are satisf. – tho' limited to main mil. items. It will be supplemented by later agreement on material.
- Inter-dependence. As in brief. Pol : eco<sup>n</sup>. : military.
- France. Agreed they cd. not come in to our secret procedures for Anglo-U.S. consult<sup>n</sup>. But we shd. hold tri-partite consult<sup>n</sup>. where France has historical status.
- Summit Meeting. As in brief. Plus account of White House dinner. Hope we can push them along. M/East. Supply of arms : points for us to follow up. Arab Union Budget. General policy. Revealing discussion. State Dpt. and many of F.D.'s advisers are tempted to think tht. N. shd. be conciliated (Canadians feel the same). But F.D. is firm. We finally agreed tht. right policy is to support our friends and take cool but correct attitude to N. Problem remains : no figure we cd. support in M/E. to w'stand N.'s influence.

Suspensions of tests. U.S. pos<sup>n</sup>. reserved until after Geneva mtg. But agreed we shd. exact a price : prob. beginning of a system of inspection on Soviet soil.

Economic Situation. As in brief. Nervous of their Bills : tho' where they expected only narrow majority of 20, they got 100. Didn't deter me fr. public speeches – wh. were well received. This may have heartened Admin<sup>n</sup>., who may be behind p. opinion. Once Congress is up, we can press them. They ought to come out with public statement before, rather than after, C.E.C. Montreal. Agreed we must strengthen machinery for consult<sup>n</sup>.

Strategic Controls. As in brief.

Ottawa.

- P.M. Asked many ques. On Lebanon & M/E. their approach is v. theoretical. Unrealistic faith in U.N. Need careful handling. But we can recall tht. Cons. Party supported us over Suez. C.E.C., Montreal. Passionately anxious for success – e.g. some new Commonwealth institution for mobilisation of savings & their direction to proper uses. Universality shd. not be allowed to frustrate all progress. – so long as no positive objection. They saw importance of Montreal being consistent with Delhi. Europ. Free Trade Area – satisfied with assurances given. Wool. – they are ashamed : may not do it. No spectacular results. But kept contacts close. E. & F.D. both anxious to have behind some lasting link with us which will persist after they have gone. For so much now depends on personal relations.
- RAB. Thanks for account. Valuable – & outstanding mission. Suggest P.M. shd. make speech to capitalise his statements in N. America.
- H.A. Timing fr. my angle was just right. Got U.S. going in time.

C.C.49(58)

24<sup>th</sup> June, 19581. Lebanon.

[Enter E.H.]

S.LI. Sec. Genl. U.N. seems to have made up his mind v. U.N. force : tho' ready to strengthen observers. Visit to Nasser : ? compromise.  
Sit<sup>n</sup>. is not being cleared : no sufft. control over Army.  
Election of new President 24(=25) July.

P.M. Sit<sup>n</sup>. bad : but changed. Our line shd. now be to force action by U.N. Sec. Genl. is failing to carry out resol<sup>n</sup>. – “ensure”. Force U.N. to do its duty. Or prove it's useless to check thieves & murderers. Then we may have to seek some other shield. Force that issue.

D.S. P.Q.'s on re-inforcement of Cyprus.

H. I said in H/L. this was nothg. to do with Lebanon.

P.M. Troops in Cyprus – 2 functions : reserve for M/E. and internal security. Because order disturbed, had to send extra troops to enable both roles to continue to be m'tained.

2. Cyprus.

S.LI. Concentrate now on persuading Cypriots. Thank NATO : hope their Govts. will go on giving counsel to G. & T. Don't use NATO as intermediary – prs. its Sec. Genl. For the present, good offices only are needed.

3. Pensions.

[Enter B.C.]

P.M. Work done has simplified problem. Must now (or next wk) decide betwn courses of action. a) Can we agree betwn. Aug. & Sept.? This wd. be best course. Won't be much easier by delay. b) Do nothing. But emerging deficits wd. then hamper next years' Budget. c) Throw it open to general discussion by public & take decision in light of re-action.  
a) Choice between the two plans. Outlined main features.

H.A. Exchequer. Either scheme wd. give immediate relief. But Aug. is preferable and cd. be put into op<sup>n</sup>. more easily & quickly. We wd. limit action to pension needed for basic needs – £15 earnings : 85/= pension at 65 : tho' these amounts are debateable, the principle is right. Also, sounder financially : relies only on expect<sup>n</sup>. tht. wages will continue to increase in real terms and provides safeguard v. that. Sept. is not sound. Relies on i) 5-year review of basic section – help to Exchequer if cont<sup>ns</sup>. then increased. ii) Suppl. scheme wd. produce surplus income in early years : but in 4 or 5 years total scheme wd. again run into deficit. It wd. be obvious tht. all you were doing, financially, was to pinch income fr. suppl. scheme to redress overall deficit.  
Under Aug. benefit matures earlier : and lower-paid get extra help.  
Moreover, Aug. is less competitive with Crossman. Doesn't go beyond basic needs. Dangerous for State to go beyond basic needs. Much prefer to stand w' in those limits. No contracting-out. Its pol. appeal has bn. exaggerated.

- B.C. Finance. Either plan is better than doing nothing. If comparison is made in respect of charge on votes, Sept. does as well up to 1980 & it isn't until 2000 tht. balance turns in favour of August.  
We shd. also take a/c of red<sup>n</sup>. of savings because of people dropping private schemes. My concl<sup>n</sup>. on this : we shd. consider schemes on merits – finance apart.  
Consultation. Rep<sup>ve</sup>. bodies (both sides) and nat<sup>d</sup>. ind<sup>ies</sup>. favour principle of contracting-out. Private employers are divided. But treating this as sample, nos. contractg-out wd. be less than the 1/3<sup>rd</sup>. we have assumed. Not therefore the overwhelming demand for it wh. wd. have wrecked finances of Sept. plan. Also, I have consulted officers of Party Ctt<sup>ec</sup>. & Progress Trust – and they favour contracting-out.  
Argument (para. 19) tht. contractg-out is impracticable is not now open to us. Implication tht. Sept. goes beyond basic needs. Both schemes are limited to earnings of £15.  
Self-employed : Sept. wd. leave them out : Aug., by bringing them in, wd. impose heavy burden since no graduated cont<sup>n</sup>. from an employer.  
Thus, I still prefer Sept. It was a compromise. I originally preferred a scheme operatg. wholly in private sector : & I adopted this in order to give some contrib<sup>n</sup>. twds. deficit under present scheme.  
Consult<sup>n</sup>. shows tht. Aug. wd. cut into private schemes.  
Comparison. Contractg-out wdn't work with Crossman. Labour wd. have to drop it. We cdn't criticise them for that if we had dropped it ourselves.
- I.M. Finance. Sept. is rather better up to 1980. We can therefore ignore this & concentrate on social aspects.  
“Basic needs”. State shd. not interfere if private employer is providing. Aug. does so interfere.  
Feeling betwn “2 nations” wd. be better eased by Sept.  
Pol. and real advantage lies with Sept.
- Hail Consult<sup>ns</sup>. & Press have revealed tht. no public opinion on either plan. It is thght we are buying votes. It is not understood that action is needed to meet deficit. Thus, no support for any action. We must therefore have a W. Paper. My inclin<sup>n</sup>. is twds. Aug. plan because I think Party line shd. be tht. State shd. not go beyond “safety net” or basic need. If contractg-out is acceptable to Party, it is because Sept. plan is not a Tory plan because it takes State action too far. Real Tory line shd. be tht. State shd. not enter that field at all. Sept. plan puts State into area where private enterprise is doing a good job. Aug. merely extrudes them from area wh. is now defined as basic need.  
Must by W.Paper educate Party to need for some scheme. It shd., if possible, favour one solution. And I favour August.
- M. Aug. does favour Ty. But effect on private schemes wd. be bad – wd. at least prevent their expansion. As no contractg-out, future Govt. wd. yield to pressure for increased benefit – and then, as too late for contractg out, private schemes wd. perish.
- P.M. Dislike both schemes.  
Argument tht. State shd. limit itself to basic need goes v. Aug. (Because graduated) as well as Sept.  
On balance, if we must act, I wd. go for Sept.

- H.B. Action needed because of emerging deficit. What will be effect of each scheme on that? There seems to be no agreement on this. Can we have more agreed inform<sup>n</sup>. on that point?
- H.A. Only diff<sup>ce</sup>. betwn. me & M/P. on these pp. is wtr we spk. in terms only of cont<sup>ns</sup>.
- B.C. But after 1980 large diff<sup>ies</sup>. because diff. assumptions.
- A.L.B. Preserve contracting-out. Both schemes cut into field h'to thght approp<sup>te</sup>. for private enterprise. Thus, favour September.
- Hail. Have you realised how much it will cost to contract out.
- Ch.H. Apart fr. contractg-out, I wd. favour Aug. But can we put fwd. any scheme wh. doesn't provide for contractg-out. Doubt if it will be widely used for most private plans were brght in to hold labour & won't be kept going under transferability.
- K. My bias was in favour of contractg-out. But look at difficulties – a) H.A. says it's impracticable. We must decide wtr it is, or not.  
Can't rule that out, as B.C. says, because we have put it to employers etc.,
- H.A. Not impossible : but v. difficult because of followg. changes of empl.
- P.M. W<sup>d</sup>. turn to some extent on nature of industries wh. do contract out.
- K. a) we need further inform<sup>n</sup>. on practicability.  
b) Presentational diff<sup>y</sup>. of point in para. 9 of H.A.'s memo. How cd. a Ch/Ex. put that – w'out damage to fin. policy.  
c) Positive aspect of same point – in para. 10.  
d) Both plans cut into private enterprise. Hail. believes it can compete even v. this incursion.  
On balance of argument in pp., I find it hard to sustain my preference for contractg-out.
- D.E. Danger of Aug. plan is tht. it gives platform on wh. a Labour Govt. cd. easily build. Rates cd. be raised : contractg-out already dropped.
- R.A.B. Finance. Pp. assume Sept. will run on 3%. It won't. Must be 4%.
- Hail. D.E.'s pol. argument rests on assumpt<sup>n</sup>. tht. we lose next Election.
- S.Ll. Neither.
- H. Sept. or neither.
- D.E. Neither.
- J.H. i) Contractg.-out : companies prefer Aug.  
ii) If we act, we do so only for financial reasons. Hard therefore to reject Ty. plan.
- RAB. Next Budget can't be what we want unless Ty. can, or can appear to be able to, cater for emerging deficit.  
If we leave this to Election, there will be a Dutch auction – which we shall lose.

If it were not for these points, I wd. sooner do nothing.  
Contracting-out. We need more inform<sup>n</sup>. But remember what Unilever said.  
No doubt tht. Aug. is sounder. If we take Sept, we shall do so on pol. grds. – and  
we shall prob. have to adjust it.  
Wd. a scheme at 4% with contractg-out limited to 3-4 m., be financially tolerable.

I.M. Can we see what leg<sup>n</sup>. wd. be needed to abate other schemes under Aug. plan.

Hail. You wd. need leg<sup>n</sup>. for these under Sept. plan.

P.M. Let us have another discussion. See what other inform<sup>n</sup>. we can have. We ought  
to go for one scheme or the other, if we can. We shd. also try to get people to  
understand real reason for reform : viz., need to prevent existg. scheme from  
going bankrupt.

[Exit B.C.

4. Education : Salaries of Scottish Teachers.

P.M. Sh<sup>d</sup>. we not make our pos<sup>n</sup>. clear?

J.M. No Minister has ever made advance approach to the parties or one of them. But I  
have to write to them on state of the fund.

P.M. C<sup>d</sup>. HA. with 2 Educ<sup>n</sup>. Ministers with I.M. discuss this?

H.A. Have done so. I recommend tht., despite this tradition, J.M. shd. warn them that  
he can't consider another increase before end of three years.

J.M. Is it certain we shdn't agree to any increase?

G.Ll. Omit para. 4.

J.M. V. well.

Agreed : despatch lr. as in draft less para 4.

C.C.50(58)26<sup>th</sup> June, 1958

1. Parliament. [Enter E.H.]

R.A.B. Business for next week.  
Mon : Supply : cotton industry (inclgd. H. Kong).

Hail. W<sup>d</sup>. help if C.O. case were publicly deployed – with tact.

D.E. As our (U.K.) part in Imperial Preference.

P.M. to settle speakers to-day.

H. Killlearn has tabled motion for 9/7 on Egyptian claims.

S.Ll. Seeing Salisb. on 3/7.

H. Try to get Balfour of Inchyre in line too – because that mght sink the motion.

2. Elections : Use of Cars.

R.A.B. Cars in Elections. Tories want to repeal s.88. Opp<sup>n</sup>. leaders, consulted, are violently opposed : tho' they enacted it w'out consultg. us. Can't therefore proceed with this in July. Propose to do it early next session.

I.M. Awkward to do it in Session likely to end in Genl. Election.

R.A.B. No time for another (controversial) Bill this summer.

D.S. Need we do it at all? Will be mis-represented.

3. Parliamentary Privilege.

R.A.B. Ctt<sup>ec</sup>. have agreed tht. no action be taken in this case. Tho' original findings of Ctt<sup>ec</sup>. won't be altered. Rpt. may be rejected by H/C. Att.G. will invite them to do so. And new members of the Ctt<sup>ec</sup>. (J.S. and Dugdale) may support him.

4. London Airport : Attendance of Ministers.

R.A.B. Reported Queen's pleasure re seeing off at airport of members of R. Family. Ministers to be excused from attendance. Will circulate note on procedure.

5. Territorial Waters. [Enter S., Att.G.]

Att.G. Our signing of the Convention wd. give us some help over Iceland. Particular passages therein wd. support our case. In the main leg<sup>n</sup>. not needed – on uncontroversial Bill.

- S.LI. I agree.
- J.H. Fishing industry wd. welcome our signing.
- I.M. W<sup>d</sup>. it prejudice future liberty re territorial sea.?
- Att.G. No.
- R.A.B. Need for reservation re continental shelf?
- S.LI. Will consider, later.

(paras 34-35 of Appendix.)

Agreed : sign convention & optional protocol, subject to points noted above.

Further Proceedings C.121.

- Att.G. Opp<sup>n</sup>. from Soviet bloc & others to further conference on territorial sea. We shd., however, continue to argue in favour of it. Only hope of uniformity is by further conference. Tho' recognise risks (para. 9).  
Bailey has taken soundings in various capitals. His sugg<sup>ns</sup>. for regional conferences on fishing have bn. well received.  
We shd. aim at agreement on 6 + 6 with except<sup>n</sup>. for historic rights. We cd. not argue for anything more restrictive. We mght also have to make concessions (by way of greater definition) on historic rights.
- S.LI. If we cd. get U.N. to bless regional method of settling fishing, is another Conference needed?
- Att.G. Yes : for we shd. seek a chance of genl. agreemt. on limit – instead of letting things drift thro' unilateral action.
- D.S. Is there reasonable chance of agreemt. on innocent passage for aircraft.
- Att.G. Not rosy – for mil. aircraft. But problem will remain whatever agreemt. reached on width of terr. sea. And you will be worse off if many countries go to 12 miles. It must be to our advantage to get agreement on a reasonable limit e.g. 6.
- R.A.B. We shd. agree our pos<sup>n</sup>. with U.S. in advance.
- D.S. Esp. on aircraft. Uncertainty may be better than clarifying position to our disadvantage.
- S.LI. Ready to discuss with U.S. Not sure conference on limits would help us to get fishing handled regionally.
- J.H. Sh<sup>d</sup>. consider further before we commit ourselves to dealing regionally with fishing. Remember tht. sensible people on this subject are in Europe. Little moderation in other Regions.  
Hope we can get advice on this from Interdepl. Ctt<sup>ec</sup>. under F'maurice.



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- R.A.B. More inter-departmental thought is evidently needed. Better have a Ctt<sup>cc</sup>. of Ministers concerned under L<sup>d</sup>. Chancellor.
- Att.G. Act quickly – because need of prep<sup>n</sup>. with U.S., Canada, India etc.,
- S.Ll. Dec<sup>ns</sup>. needed in first half of July.
- J.H. Sh<sup>d</sup>. I m<sup>’</sup>while discourage fishing industry from sending unofficial rep<sup>ves</sup>. to sound out p. opinion in Iceland.
- Att.G. Yes : v. dangerous. May give imp<sup>n</sup>. of weakness.
- S.Ll. Mistake to go before 30/6 or even soon after Reg<sup>ns</sup>. introduced.

[Exit Att.G., S.

6. Aden.

- A.L.B. Rulers are now taking initiative themselves twds. Fed<sup>n</sup>. – because pressure from Yemen. Except Lahij all the important leaders in W. Protectorate favour this. Cost. Will be necessary to spend money in Aden anyhow. Possible tht., if we go fwd. with this, Lahij may adhere – thro’ dec<sup>n</sup>. of Ruler or pressure of his people. W<sup>d</sup>. still be possible to hold Aden itself as a fortress. This is best way to m<sup>’</sup>tain our pos<sup>n</sup>. in Aden & Protectorate.
- S.Ll. Strong support. May produce adverse re-action fr. Yemen – but no harm in that. Will cost money : but shall have to spend here unless we mean to w<sup>’</sup>draw. Will improve our pos<sup>n</sup>.
- H.A. Support in principle. Add<sup>l</sup>. cost is unwelcome. £3¼ M. at present. This will involve add<sup>l</sup>. £1½ M. and a developmt p<sup>’</sup>mme with recurrent cost of £½ M. Thus total increase of £2 M. Nowhere any off-setting economy. Don’t want C.O. to indicate (para. 7) order of add<sup>l</sup>. expenditure. While we spend more on security, we ought to hold back on social.
- A.L.B. They open their mouths v. wide : and I want to indicate limits, esp. re Federal Nat. Guard.
- H.A. V. well : but soft pedal on social & economic measures.
- A.L.B. Will be careful to avoid commitment on money.
- D.S. Support this course. Are defence and external rel<sup>ns</sup>. reserved to U.K.? Under existg. Treaties?
- A.L.B. In principle, yes. Shall have to make it specific in new agreements.
- D.S. Can we rely on a defence agreemt. simultaneous with political.
- H. Aim = make a stronger State. May be greater embarrassmt. to us in time than separate weak ones. Surely we must take great care to safeguard defence & external rel<sup>ns</sup>. Favour this course – but with some doubts.

Memo. approved, subject to approval of P.M.

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[Exit a.L.B.]

7. World Youth Festivals.

Memo. approved.

8. Wages Policy : Arbitration.

- I.M. No place in our system for compulsory arbit<sup>n</sup>.  
Will need O-in-C. to revoke D.R.  
Timing : p'pone announcmt. until after T.U.C. Conference : no need to mention  
in Queen's Speech : mght mention at Party Conference.
- R.A.B. C<sup>d</sup>. wait & let it lapse with disappearance of Supplies & Service Act, after  
passage of econ. controls Bill.
- H.A. Support M/L. proposal. Hope, however, we shall go on to review vol. arbit<sup>n</sup>.  
machinery & wages councils. My Ctt<sup>ec</sup>. cd. do so, before this is announced.
- I.M. Can't avoid debate in H/C. Favour therefore revocation.
- Hail. a) W<sup>d</sup>. ??? work to Ind. Court. b) Some Tory opinion favours compuls. arbit<sup>n</sup>.
- I.M. On a) I believe Ct. is better than Tribunal. On b) I'm satisfied that majority  
favour abolition of this D.R.

9. Industrial Disputes : Buses.

Labour pos<sup>n</sup>. reported.

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1<sup>st</sup> July, 19581. Visit to France.

[Enter E.H.]

P.M.

Discussion – not negot<sup>n</sup>.

Fr. determined to develop nuclear potential – gt. diff<sup>es</sup>. ahead over that. Will complicate negot<sup>ns</sup>. over suspension of tests. F.O. informing U.S. & Germans. de G. has become paternal & polite. No longer cassant. Tho' confident as ever. No v. clear plan, but gt. faith. Much easier to handle. He said : "When I knew you before I carried on my shoulders the burden of a dishonoured country".

Mollet is great strength – will he remain?

de G. doesn't understand Euro. F.T.A., and doesn't like it. Have left aide memoire with him. If he authorises fwd. move, it will be taken.

S.Ll.

He will have proposals on NATO commands. But at least sees it as mondiale, not European.

P.M.

30/9 referendum throughout Fr. Empire on new constitution.

General feeling in France – much calmer. de G. is more dignified and calm than previous Fr. Ministers.

Couve de M. is in pos<sup>n</sup>. of gt. influence – he can explain things to de G.2. Atomic Energy : Amendment of U.S. Legislation.

P.M.

Amending Bill passed y' day. Draft agreement satisf. – save that at last moment they have inserted in preamble a reference to co-op<sup>n</sup>. in civil as well as military aspects. I told President we cdn't accept this. President has recommended to A.E. Comm<sup>n</sup>. (whose dec<sup>n</sup>. is final) that this be omitted.

Time-table means we must initial this to-day. We may have to choose wtr we abandon this gt. prize because incl<sup>n</sup>. of this reference.

x| We might accept – putting on record our view tht. co-op<sup>n</sup>. in civil matters wd.  
| continue to be handled under civil agreement.

D.S.

Reference is unfortunate : but has no legal effect. If they include it, I wd. support x/.

M.

At this stage I wd. accept – subject to x/. In the end believe we shall get more fr. U.S. than we give.

D.E.

They are v. tough over export orders.

RAB.

We shd. accept – despite the reference.

P.M.

W<sup>d</sup>. my letter be published? I wd. feel free to publish if unfavourable comment here.

S.Ll.

Not during the 30 days.

S.Ll.

I wd. prefer private record. Congress can still obstruct.

P.M.

Get freedom to publish, if need be, after the 30 days.

Agreed.

3. Foreign Affairs.a) Summit Meeting.

S.Ll. Geneva mtg. of scientists is being held after all. Our reply to K. will be published today. Somethg. has bn. happening over Poland – Gomulko has bn. obliged to toe the line.

b) Lebanon.

U.N. are now pussy-footing over this.

Clear that Chamoun can't command majority. Continuing to look for a pro-western figure who can.

Renewed disorder – Druses – is plainly internal.

Situation is not improving.

R.A.B. Must review our attitude to U.N. cf. let-down over clearance of Canal. They will let us down again, for sure.

P.M. May end in "Oriental settlement" – free Lebanon remaining in consequence of all varying pressures.

A.L.B. Chamoun will retire on 24/7. That will be regarded as defeat.

S.Ll. Retires end/Sept. Elections shd. be on 24/7. But he has said he won't stand again.

Hard to "support" a man who himself won't fight.

P.M. x/ Also risk of its turning into Christian/Moslem dispute.

M'while i) m'tain threat of intervention.

ii) press Sec. Genl. to increase U.N. activity.

iii) hope that i) and ii) will promote x/.

Hail. Any room for good offices comm<sup>n</sup>. to promote x/.

S.Ll. Fr. inclined to favour that – thro' Ambassadors in Beirut. V. dangerous.

4. Egypt : Financial Negotiations.

H.A. E. unwilling to reach agreemt. on earlier basis. They prefer lump-sum settlement. Some advantage in this – it wd. dispose sub silentio of war-damage claim & Base. But figure they have in mind won't do. They suggest £10 M. but mght. settle at £25 M. At that level we shd. be open to heavy pressure for supplement<sup>y</sup>. fr. Exchequer. E. wd. be willing to say tht. their war-damage claim had bn. treated as off set by our claim for loss of Base.

We can't estimate damage to sequestrated. Mght be about £10 M.

Egyptianised. Owners' claim = £47m. incldg. about £10m. for good will, viz., £37 M. net. Our view of true value = £30 M. Total wd. therefore be about £40-45 m. Settlement at £25m. wd. leave gap of £15-20 m. wh. Exchequer wd. be expected to close. We therefore really want £35m. – and can't tell what chance we have of getting that.

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How slow can it be played? E. have bn. v. dilatory. C<sup>d</sup>. delay opening of negot<sup>ns</sup>. for 2-3 wks. but negot<sup>ns</sup>. themselves wd. last only 10-14 days.

S.Ll. Many advantages in resurg. rel<sup>ns</sup>. (trade & diplomatic) : on internat<sup>l</sup>. side. But on domestic side, real diff<sup>ies</sup>. : we may be defeated in H/L. on pressure from claimants to pay them now & recover from E. Diff<sup>y</sup>. of our taking over : how do we estimate w<sup>o</sup>ut being in E.?  
Claimants are now seeking to interest Opp<sup>n</sup>. in this.

D.E. Traders are restive. Old level of experts was around £30 M. Now only £3 M. Importers also want E. cotton because of failure of Sudan crop. Trading community likely to support claimants.

P.M. i) is it to our advantage to get an agreement – so as to resume rel<sup>ns</sup>. in trade & diplomacy? If so, on terms.  
ii) E.'s sterling balance cd. be used to compensate claimants.

[H.A. Opposed, as banker, to that. P.M. Threat, however, to do this is only card we have to play.]

iii) Failing (ii) must we not make some lump-sum settlement. Ques then is – at what price? Ask for £45m. and accept £30m?

H.A. S.Ll. both think answer to (i) is – Yes.

A.L.B. But if N. hostility (radio etc.) is to continue, wd. it help us? Our friends in M/E. will be confused : I'm telling them tht. E. is our enemy.

S.Ll. They won't change their attitude. But how deal with our Br. claimants.

A.L.B. Must be hard bargain – genl. rel<sup>ns</sup>. being “cool but correct”.

P.M. Not anxious to have v. early settlement.

M. Favour H.A.'s plan qua trade.

H.W. Agree.

A.L.B. V. well –tho' gt. care in present<sup>n</sup>.

P.M. Egyptianised. Mainly large firms. Sh<sup>d</sup>. be content with 70 or 80% of value paid in U.K. in cash. Sequestered : smaller men : more likely that Exchequer supplement<sup>n</sup>. will be required.

S.Ll. What reply to deput<sup>ns</sup>.?

Hail. Will give sugg<sup>n</sup>. in writing.

P.M. Suggest negot<sup>ns</sup>. be resumed in Rome end/July.  
I wd. also like to see draft agreement in full, w<sup>o</sup>ut figures for lump sum.  
Play the lump sum v. rate of release of remainder of E. sterling balances.  
Keep in touch with Shell – to ensure that our going on won't prejudice their negotiation.

RAB. Colyton wants to wind up Resettlement Board.

P.M. Keep that going. And let's have report on its work.

5. Suez Canal.

S.L.I. Must state our intentions as soon as Sec. Genl. announces his plan. Propose to do so in written reply to Question.

6. Commonwealth Immigration.

RAB. No leg<sup>n</sup>. at this time. Permanent leg<sup>n</sup>. on control of aliens wd. also be highly contentious.

K. Agree. Avoid leg<sup>n</sup>. if we can in remainder of this Parlt.

H. Agree. Hope to reduce immigration from India & Pakistan.

I.M. W. Indians are less trouble here than illiterate Pakistanis.

H.B. Agree. But growing concern.

P.M. Action will have to be taken some day.

C.C.52(58)

3<sup>rd</sup> July 1958

1. Parliament. [Enter E.H.]

R.A.B. Business for next week.

2. Parliament : Privilege.

R.A.B. Much opp<sup>n</sup>. to report on both sides of the H/C.  
But among members of Ctt<sup>ee</sup>. feeling tht. report shd. be approved or disapproved by H/C.

I cannot take the line tht. we are concerned only with the new recommend<sup>n</sup>.  
I must deploy the arguments pro. & con. the original Rpt. I spk. as Chairman of the Ctt<sup>ee</sup>. – tho' Att. G. will spk. against it. Most members of Ctt<sup>ee</sup>. as now constituted will be against it. Makes my pos<sup>n</sup>. awkward.

Hail. Report as it stands wd. enrage whole of legal profession.

R.A.B. Will you allow a free vote? I think you must. I shall probably abstain. Official Labour Opp<sup>n</sup>. will vote for the report.

Hail. Our political interest is to oppose the report.  
The courts wd. give the prot<sup>n</sup>. of qualified privilege. Parlt. shd. ask for no more.  
The report seeks to protect malice.

K. But hard to require M.P. to defend himself on that basis in the courts.

P.M. Let many Ministers abstain, and a few vote against.

R.A.B. My preference wd. be for remitting whole ques of letters to M.P.'s to a Select Ctt<sup>ee</sup>. with a suitable Chairman.

K. Good idea. C<sup>d</sup>. you inspire an amendment accordingly?

Hail. Same ques arises for Peers : that wd. be a reason for not putting it back to Ctt<sup>ee</sup>. of Privileges.

R.A.B. Don't want a Joint Sel. Ctt<sup>ee</sup>.

3. Atomic Energy Act. U.S. Legislation.

P.M. A.E.C. has agreed to omit disputed passage from preamble. Hood has initialled it.  
Will be signed to-day.

S.Ll. Various amendments : can't promise a White Paper before Monday.

P.M. Shall not make statement in H/C. Will suffice to put it out to Press.

S.Ll. Can't now get the 30 sitting days unless Congress sits until end/August.

4. Egypt : Financial Negotiations.

- S.Ll. Can we offer, to deput<sup>n</sup>., extension of loan arrangements for Br. claimants.
- H.A. If we have to make a concession to avert defeat in H/L., this is best card to play – if we are sure it will be effective in averting that defeat. Mght risk £1M. (thro' excessive advances). W<sup>d</sup>. want it contingent on not havg. reached agreemt. with E. by end/Sept. – tho' we cdn't say that publicly. W<sup>d</sup>. it leak if deput<sup>n</sup>. were told.
- Hail. C<sup>d</sup>. persuade Peers either to cancel or to p'pone debate or not to press for division.

5. Economic Situation.

- H.A. Explained relaxations to be made in restriction of Bank credit and in operation of Capital Issues Ctt<sup>ec</sup>.
- H.B. These relaxations, tho' welcome, in private sector will make it more diff. to hold existg. line on public sector – esp. housing.
- H.A. We shall have to let up then, but not now. It is public investment which Zurich watches. And relax<sup>n</sup>. wd. operate more quickly in relation to public sector.

6. Prison Reform.

[Enter N. McP.

- R.A.B. Para. 7 – increase in offenders. Para. 5. : 3 in cell. Urgent need as well as normal advance in reform.  
Don't want to press H.A. for exact figure for bldg. But extravagant cost of m<sup>2</sup>tenanace – e.g. £70.000 p.a. on Dartmoor.  
Some need for leg<sup>n</sup>. Also admin<sup>'ve</sup>. reforms.  
W<sup>d</sup>. prefer to present Wh. Paper, charting course for future. W<sup>d</sup>. need to include some indication of what we can do, on bldg. etc.,  
Don't want leg<sup>n</sup>. next session. Pre-view wd., however, be helpful.
- H.A. Support this genl. approach. Accept need for fwd. move. Agree we shd. discuss (RAB & I) financial implications.
- Hail. Don't imply tht. we are going to build lots of prisons, but no hospitals or schools.
- G.Ll. I have a Wh. Paper too.
- R.A.B. But since the war, housing & educ<sup>n</sup>. have gone well ahead, and this has lagged behind.
- P.M. Hospitals haven't done too well.
- Hail. But let us give imp<sup>n</sup>. of balanced view. Don't put this out alone.
- N.McP. We have ambitions to build p<sup>ns</sup>. too. Nos. in custody have risen by 40% in last 2 years. And we have no detention centres. Reserve our pos<sup>n</sup>. about joining in Wh. Paper : we cdn't go along with all E & W proposals.

[Exit N.McP.



[Enter J.B-C.

7. Pensions.

Note not taken.

C.C.53(58)

10<sup>th</sup> July 1958

1. Defence Organisation. [Enter 4 Def. Ministers.  
4 C.O.S., E.H.]

- P.M. Protracted discussions. Need for prompt concl<sup>n</sup>.  
Current need : plans for total war, wh. we seek to prevent for world wd. be destroyed : plans for lesser operations. Not easy to cater for both.  
Basis followed. In 2<sup>nd</sup>. war : P.M. as M/D. w<sup>'</sup>out a Ministry & gave most of his time to it. If that situation arose again, our present organ<sup>n</sup>. wd. not continue : but I doubt if it cd. happen again (total war lasting for some years). Some believe this organ<sup>n</sup>. is still apt – P.M. with 3 C.O.S. with an Ismay. In peace it cd. hardly operate unless P.M. cd. devote much time to defence.  
From 1946 we have had a statutory M/Defence : with powers.  
A.E. appointed a Chairman of C.O.S. Ct<sup>ee</sup>.  
On assuming office I issued a new directive (hurriedly) strengthening authority of M/D. Need now to make this more formal & permanent. Hence present draft.  
Main change : Ch. of Defence Staff. Nothing revolutionary or drastic. That cd. not be done (integration) w<sup>'</sup>out leg<sup>n</sup>.  
Some want to go further twds. integration. W<sup>d</sup>. need leg<sup>n</sup>.  
Some wd. prefer to go back to 3 C.O.S. Believe that wd. need repeal of 1946 Act.  
This solution steers a middle course betwn. these extremes.
- H.B. Short notice : can't express a useful opinion.
- A.L.B. Nor can I.
- Hail. No supporting argument – can't form a judgement on that basis.
- K. Constitutionally – no gt. change. Narrowing of Ministerial responsibility of Service Ministers. Paras. 4 and 6. together mean tht. Serv. Minister remain responsible to Parlt. for efficient admin<sup>n</sup>. & particular appl<sup>n</sup>. to each Service of general policy determined by M/Defence. Doesn't narrow their pos<sup>n</sup>. much as cpd. with pos<sup>n</sup>. under 1946 Act to-day.  
Appointments : para. 10. This needs some thought – where wd. respons. to Parlt. lie. Suggests it wd. be with M/Defence. Some narrowing of their responsibility.
- P.M. “Efficiency and admin<sup>n</sup>.”. But eg. air defence, efficiency depends on decisions taken under para 5. It is not “efficient administration”
- P.M. Para. 7 indicates tht. all Ministers concerned will be consulted in formul<sup>n</sup>. of major policy under para. 5. It is a joint responsibility.
- D.S. No change (para 5) as cpd. with my current directive : except to leave out certain powers related to pay etc.,
- A.J. This is a middle course. Our view was that policy shd. be for a group. D.S. View tht. ultimately we shd. have single Minister with deputies. Believe this is a weakness. Will compare unfavourable with Labour's W. Paper of '46.  
Moreover, each side will interpret it in light of their differing view. My view is therefore tht. it wd. be preferable not to publish it.

- I.M. If in fact little change, why publish something which will dismay Services and Party.  
Para. 2 is an obvious compromise. Paras 9 & 17 are v. dangerous.
- P.M. Some statement ought to be made next week.  
This is no more than a restatement of existg. pos<sup>n</sup>. plus Ch. D. Staff.
- A.J. Directive of '57 was an experiment.
- P.M. Can be represented as carrying on status quo.
- G.W. In last 18 months great re-organisation of Services – neither easy nor popular. We have, however, put policy across to Services. Existg. directive works. In seeking agreemt. on new formul<sup>n</sup>, we have come across diff<sup>es</sup>. paras 2 & 17, where we are still troubled by intention to lower status of S. Ministers & C.O.S. & to concentrate power in hands of one Minister and one serving officer. D.S. has not concealed his intention to do this. Tho' status of Ministers is to be depressed, responsibility remains. And lowering status of C.O.S. will shake morale down to roots of Services.  
Not a matter of words. It is intention behind them.
- S. Aim : (1) closer co-op<sup>n</sup>. w'out O.K.W. We all agree on need to avoid O.K.W.  
(2) retain real sense of responsibility in Service Dpts. Effect on Services' morale. M/D. is not popular with them.  
Heavy responsibility of Serv. Ministers because their work is not much known to Cab.  
Need for informed dec<sup>ns</sup>. Advice shd. not be impeded. Will it still come fwd. under this organ<sup>n</sup>.
- C.S. "Turn 1957 directive into more formal document & create C.D.S." I believe paper goes much deeper than that – in changing rel<sup>ns</sup>. of S. Ministers & C.O.S. Object of paras 2 & 9 = restrict attendances of Serv. Ministers at Def. Ctt<sup>ee</sup>. Earlier drafts excluded us specifically. And D.S. has said it is unnecessary for us to attend – as he is responsible under para 5. If we disagreed, wrong tht. arguments be repeated in Def. Ctt<sup>ee</sup>.  
Para. 17 Joins 3 Genl. Staffs and gives C.D.S. access to any of them over the heads of 3 C.O.S. How can they expect to control their own Staffs.
- W.D. Spkg. as individual, not as Chairman. Have bn. in touch with central def. organ<sup>n</sup>. since 1923. Growing complications in recent years – esp. in internat<sup>l</sup>. & technical fields. Principles in W. Paper are suited to present cond<sup>ns</sup>. Believe a C.D.S. is required. All other Gt. Powers have somethg. of this kind. P.M. must have a M/D. and latter needs a senior mil. adviser, closely linked with C.O.S. Terms here meet requirements of M/D. w'out undermining pos<sup>n</sup>. of C.O.S. Ctt<sup>ee</sup>. – many safeguards for their position, which must not be weakened. Also avoids O.K.W. – para 17 : no C.D.S., wd. go behind C.O.S. : contemplates their co-operation.
- P.M. Object of para. 17 was to make it plain there is not to be O.K.W.
- W.D. Strategic work, as now, will be done thro' C.O.S. machine.  
But M/D. wants mass of inform<sup>n</sup>. on all sorts of mil. matters & shd. be able to get it thro' me. At present he can't.

- Hail. But Naval Staff was previously under control of 1<sup>st</sup>. Lord. Para 17 puts them at disposal of C.D.S. or M/Defence.
- R.A.B. But M/D. must be able to get inform<sup>n</sup>. he needs.
- C.N.S. Naval Staff will work normally to C.O.S. Ctt<sup>ec</sup>. thro' C.N.S.
- Hail. But responsible to-day to Bd. of Adm<sup>y</sup>. Will that be changed?
- C.N.S. No. Always bn. problem of dual responsibility of a C.O.S. – to M/D. and to his own Minister.
- C.A.S. If CDS is to be head of this “Joint Def. Staff” he has right to go to any member of it, by-passing the C.O.S. That is unacceptable so long as we have our present titles & responsibilities. If this is not intended, why are our amendmts rejected?
- P.M. If confidence m’ained betwn. senior officers, no problem will arise. But willing to find form of words, to meet C.A.S. point.
- C.A.S. I believe it was wrong to have a Chairman. That won’t increase power of M/Defence.
- C.I.G.S. Why are these proposals necessary at all? Existg. machinery cd. work perfectly well, if dispos<sup>n</sup>. to make it work.  
Real issue : shd. there be a mil. Supremo, or shd. we rely on C.O.S. That has bn. obscured by drafting.  
We have 3 Services & Govt. say they are to remain separate. Must have single defence policy. C.O.S. must be prof. heads of Services & must remain respons. for efficiency of Services. That can’t be passed to a single Supremo – with no knowledge of any Service but his own. Single policy – must be secured thro’ collective responsibility of C.O.S. Ctt<sup>ec</sup>. : our duty to see that our advice is known to & understood by Govt.
- H. Is this not preserved in draft?
- C.I.G.S. Para. 17.  
Our duties are covered if it is intended to work it that way.
- P.M. Para.2. Two ways of running Def. Ctt<sup>ec</sup>. Driven to ad hoc mtgs. [Exit M. because Ctt<sup>ec</sup>. is cumbrous & heterogeneous. cf. Macmahon or disarmament. What I wd. like to do is to be able to convene ad hoc but have continuous recording in D.C. series. cf. Maldives : ridiculous to summon all Def. Ctt<sup>ec</sup>. cf. at other end, nuclear p’mme : is it wise to pitch that undigested to Def. Ctt<sup>ec</sup>. If you insist on rigid compos<sup>n</sup>. of Ctt<sup>ec</sup>., I shall have to by-pass it. More flexibility is essential.
- Hail. cf. history of Suez. Def. Ctt<sup>ec</sup>. never met. Suez Ctt<sup>ec</sup>., with floating membership.
- I.M. But why publish these details? P.M. Because it was in 1946 W. Paper. And because of publicity, wh. has aroused speculation.
- J.H. What is the reason for all this? We have achieved gt. changes in def. policy under existg. organisation. It is working well.

Believe this increases powers of M/D. – & will create ill-will. Too much turns on interpret<sup>ns</sup>.

This system, in diff. hands, wd. be v. dangerous. It cd. put too much power into hands of Ministers & C.D.S.

It will be so interpreted.

- P.M. Much talk & speculation. Ought to re-state pos<sup>n</sup>., more formally.  
We cd., alternatively, announce that we intend no gt. change except C.D.S.
- D.S. Duty to formulate general policy. Natural therefore tht. I shd. be unpopular in Serv. Dpts. : because strong mil. arguments v. most of decisions I have had to make to keep expenditure w'in bounds.  
“Why do we have to make a statement”? My diff<sup>y</sup>. is to find what material changes we are making. This didn't originate with me. Two of C.O.S. are not happy with directive & Chairman. They wd. prefer to go back. But that is, why issue arose.  
Two aspects of problem – advice and decision. On advice there is no real diff<sup>ce</sup>. of view. I'm against large M/D. or O.K.W. Duplic<sup>n</sup>. & divorce of policy fr. execution. But alternative must be to ensure tht. advice is available fr. Service Dpts. to M/D. and C.D.S. We can't rigidly define boundaries betwn. M/D. & Dpts, or channels for advice. Ministers don't rely always & solely on Perm Secy. Must be possible for M/D. & CDS similarly to have access to advice throughout the Staffs. But, of course, formal advice will be sought thro' C.O.S. concerned. Decision. Def. Ministers were appointed on basis of '57 directive, wh. gave wider powers of decision to M/D. These are essential to his job. Previously he was no more than Inskip. Dec<sup>ns</sup>. of past year cd. not have bn. reached w'out that authority.  
Relations with Service Ministers. This memo. does no more than reflect existg. practice. Does M/D. continue as Minister with power of dec<sup>n</sup>. or a Minister who, if he can't get agreement, must refer to higher auth<sup>y</sup>. No M/D. will put his neck out if at the end it has to go to a Def. Ctt<sup>ee</sup>. which hasn't studied problem. Inefficient way of doing business. Tho' if S. Minister feels gt. mistake is being made he has right of appeal.  
Def. Ctt<sup>ee</sup>. Two functions. Occasionally a forum for S. Ministers to dispute dec<sup>n</sup>. of M/D. But mainly to handle mixed ques going beyond defence – embracg. foreign or Col. policy.
- H. x| If our purpose was to increase auth<sup>y</sup>. of M/D. & C.D.S., we shd. proceed by leg<sup>n</sup>. This memo. has so many checks & balances that it cd. not be so described. Must have system of '57 directive. This paper has no new philosophy. It is attempt to explain to Parlt. tht. we are trying to run organ<sup>n</sup>. in acc. with current needs.  
Def. Ctt<sup>ee</sup>. wd. be better run in panels – acc. to subjects discussed.  
Two points in draft lend colour to suspicions of x/. Para. 17 cd. be adapted in wording : to make it clear tht. CDS wdn't go behind back of C.O.S. Must not reduce status of S. Ministers who are i/c great Services & remain respons. to Parlt. This set-up won't work save by team work. ?Add to para. 2 indic<sup>n</sup>. tht. Def. Ctt<sup>ee</sup>. will comprise Ministers concerned.
- G.W. Suspicions based on earlier drafts – e.g. housing all Staffs in M/D.
- P.M. Then he must be free to draw his advice from the Staffs.
- D.S. I have not put forward any draft.

- S.LI. My original view, when I came to M/D, was to assume powers of all Service Ministers. Recognised this impracticable. But certain there shd. be 4<sup>th</sup>. C.O.S. as Chairman.  
Essential that M/D. shd. have right to seek inform<sup>n</sup>. throughout the Service Staffs. Matter of practical convenience.  
Accept para. 2.  
What is to happen to Dpl. contacts with C.O.S.? Is any change intended? Is para. 7 to replace those contacts.
- P.M. Purpose of para. 7 is to enable all Def. Ministers to consult on major defence ques – shape & size etc., Many ques centring even on single Service are of interest to all.  
Para. 21. There are some ques which shd go to M/D. vice C.O.S.
- D.S. To ensure that Minister & civil side of M/D. are brought in on matters wh. go beyond C.O.S. Ctt<sup>ec</sup>.
- S.LI. Last sentence of para. 20.
- P.M. C<sup>d</sup>. be omitted.
- D.S. Whole of para. 20 cd. be left out of published statement.
- A.J. Accept broad distinction betwn. policy (M/D) and execution (S. Dpts) The crucial ques is wtr executive Dpts. shd. attend Def. Ctt<sup>ec</sup>. on final decision. I believe this to be essential. Doubt arises from combination of paras 2 & 9. I take more obj<sup>n</sup>. to 9. No access to Def. Ctt<sup>ec</sup>. save by way of top-hat appeal.
- P.M. Surely, para. 7 helps over this. Must be some flexibility.
- D.S. If you follow principle tht., whenever any diff<sup>cc</sup>. between M/D & S. Minister, it must go to Def. Ctt<sup>ec</sup>. – you have removed the M/D. power of decision.
- H.A. I wd. be against going back to old system.  
Accept para. 2. – flexibility.  
Somethg. wrong with para. 17.  
Haven't bn. able to consider how financial control wd. work.
- R.A.B. We cd. adjust drafting in some places.  
y/ Parl<sup>y</sup>. pos<sup>n</sup>. We must announce something.
- D.E. P. opinion expects some statement.
- C.S. Whatever directives are issued, we are responsible to Parlt. and for our Services. They expect us to represent them in final forum where defence ques are settled. We shd. therefore be present when matters affectg. their Dpts are to be discussed.
- I.M. Is y/ right? Most of arguments today go against publication.
- P.M. Alternatives a) statement : no change in directive of '57.  
b) W. Paper., wh. shows we have bn. thro' all these difficulties and come to these conclusions.

We are agreed in substance to stand pretty well as we are, with slight emphasis on a forward move.

R.A.B. My advice is that we shd. publish.

H. Can we see re-drafts of 2, 9 and 17.

Adjourned to Friday 10 a.m.

2. Aden.

A.L.B. Sultan of Lahij must be deposed. Found him at Como.  
Must announce this to-day, so tht. mil. action can be taken at once in Aden.

3. Yemen.

P.M. Need for politico-military machinery – to retain initiative. How to handle U.N. etc.,  
Mtg. of Ministers will be needed.

[Exit Serv. Min. & C.O.S.  
Exit A.L.B.]

4. Parliament.

R.A.B. Business for next week.

5. Egypt.

H.A. As in memo.

P.M. Two gt. points are size of lump sum & waiver of war damage claim. The rest is detail.

Approved.

6. Cotton Imports.

P.M. After consult<sup>n</sup> with colleagues, I have drafted proposals which I have discussed with A.L.B. These are to be sent to Rochdale. I will circulate it for inform<sup>n</sup>

Read out para. 3.

7. Industrial Dispute : Docks.

[Enter Strathclyde]

I.M. Risk of national dock strike. No provision for arbitration. Traditional remedy : Ct of enquiry. Mght not be accepted. Moreover, in face of threat, wd. prob. be regarded as weakness. Have asked M/P. for a view on this. If it is so regarded, we shd. lose more than we cd. gain.

P.M. Confer with me in course of Friday.

[Exit H.A.]

8. U.S. Naval Forces in U.K.

P.M. Def. Ctt<sup>ee</sup>. have endorsed this proposal. But there is political aspect.

D.S. U.S. haven't yet decided where they wd. be based – Sc. or N.I. No serious obj<sup>n</sup>. so long as we can say tht. we have made agreemt. providing tht. they won't engage in hostile op<sup>ns</sup>. w'out our consent.

Agreed : subject to P.M.'s approval of agreement as under para. 4.

Str. Scotland rather than N.I.

RAB. N.I. rather than Scotland.



C.C.54(58)

11<sup>th</sup> July, 1958

1. Defence Organisation. [4 Def. Ministers, 4 C.O.S., E.H.]

- P.M. Valuable disc<sup>n</sup>. y'day. Frank talk useful.  
 My views : (1) statement must be made before end/July. on pol. grounds.  
 (2) when? W<sup>d</sup>. prefer Tuesday. Dislike delay. Want to be free too to seize opportunity to meet T. & G. over Cyprus.  
 (3) substance. White Paper? Wiser because diff<sup>y</sup>. of dealing orally with supplementaries on details of organisation. When it comes to debate, easier for Govt. to base it on a Wh. Paper : better debate all round.
- R.A.B. Agree : clearly on (1) and (2). Point (3) is more open : for P.M. who will have to make the statement.  
 Favour substance of draft – with introduction.
- K. Agree. W<sup>d</sup>. weaken our pos<sup>n</sup>. if we failed to announce a concl<sup>n</sup>. Favour Wh. Paper.
- I.M. Argument for statement. Can't define rel<sup>ns</sup>. of Ministers in writing : unusual also to disclose compos<sup>n</sup>. of Cab. Ctt<sup>ees</sup>.  
 Doubt if policy is sound : out of date. Preparing for wrong war : minor op<sup>ns</sup>. (most likely) 3 C.O.S. is more approp<sup>te</sup>.
- H. Must have a public statement. With revisions W. Paper will stand. W<sup>d</sup>. prefer to have it in W. Paper.
- H.A. Agree.
- A.J. W. Paper implies gt. change. Cab. Ctt<sup>ee</sup>. organ<sup>n</sup>. not normally disclosed. Def. Bd. is not v. new – existg. Serv. Ministers' Ctt<sup>ee</sup>. CDS is only a change of name. Wdn't a statement be better on basis we are m'taing. status quo.
- Hail. Disposed to agree with I.M. and A.J. But that doesn't meet our pol. diff<sup>y</sup>. Sit<sup>n</sup>. in Press & Parl. may get out of hand. W. Paper will imply Cab. is not divided.
- Ch.H. Want a W. Paper. Easier to handle.
- C.S. Statement stopping at "confirmed"?
- P.M. No : Press specul<sup>n</sup>. has gone too far. A damaging debate might be v. dangerous to Govt.
- Discussion of proposed amendments C.147.
- P.M. Spoke on management of a flexible Def. Ctt<sup>ee</sup>.  
 Sh<sup>d</sup>. list of members be published? Arguments pro and con. On balance – best to use language wh. indicates Serv. Ministers will be included in membership. Caution re Confidential Annexes.
- Paras. 9-10.

- P.M. D.S. wd. be willing to omit para. 9 from published paper.  
Para. 10.
- A.L.B. Awkward to define rel<sup>n</sup>. betwn. a Minister and P.M. cf. Col. Govrs. It is in my discretion to decide which Col. Govrs. I submit to P.M.  
Para. 10 approved.  
Para. 9.
- K. Prefer to keep it. Ensures that dec<sup>ns</sup>. are not taken w'out proper inform<sup>n</sup>.  
Paras. 20-21.
- PM. Agreed in principle. But plans aren't made. Better not therefore to say this publicly at this stage. Agreed.  
Paras. 17-19.
- CIGS. The word CDS. still opens up possibility of Supremo. Cd. you not drop the name? He is now no more than Chairman.
- C.A.S. Support this request.
- P.M. Don't exploit your advantage unduly. We want the title. All the interests of C.O.S. are safeguarded.
- C.A.S. Admit new formula meets point raised yesterday.
- P.M. Diff. problem – not because of personalities but because of system is hard to work & ought now to be defined for Parl.  
Despite some differences, hope we can be united & present united front in this.  
Diff<sup>tes</sup>. of planning – to deter major war, not to fight it : be ready for lesser op<sup>ns</sup>. & to work w' in economic limits.  
M/D. was asked by Cab. to assist Ty. in this.  
All depends on spirit of co-op<sup>n</sup>. Hope we can have this spirit. I am at the service of you all.

C.C.55(58)

14<sup>th</sup> July, 1958  
(7.30 p.m.)Middle East.

[Enter E.H.]

- S.LI. Reported main facts – incldg Shamoun's appeal and U.S. disposition to meet it.
- P.M. Mtg. of Def. Ctt<sup>cc</sup>. held. Authorised precautionary moves to enable us to act in the Gulf, if necessary. Unlikely to excite gt. interest because cd. be justified by sit<sup>n</sup>. in Aden.  
 Discussed genl. sit<sup>n</sup>. Assumed at outset that we were faced with revolutionary Govt. Later inform<sup>n</sup>. suggest fighting continues & issue not finally determined. Situation grave but still uncertain.  
 Iraq. 800 or more R.A.F. at Habbaniyah. May get appeal from Jordan (King has proclaimed himself King of Arab Union) for help. Must look at situation as a whole. Wrong to intervene in Lebanon viewing it alone : or to encourage U.S. to do so. We face larger problem of M/E. as a whole. Owing to Suez and what followed – we have Arab nationalism in spate, manipulated by Nasser. Mght lead to federation of Arab world under N.'s leadership. Difficult then for us to hold pos<sup>ns</sup>. in Gulf. This wd. give them some advantages to wh. they have a claim : we wd. have to live with it and accommodate ourselves to it. Br. & Western influence wd. disappear – and N.Africa, Somalia etc., mght come into same orbit. Therefore, in our reply to U.S., we shd. not speak of Lebanon per se. Is this an opportunity to check N. and clean up situation in M/E. generally. This (Iraq) is plainly a conspiracy because early announcemts in Beirut and Cairo. Say therefore to U.S. if you really mean to see this thro', we will go along with you. But not qua Lebanon alone. Say also we wd. like to have token force in Lebanon expedition – for we shd. want U.S. contrib<sup>n</sup>. to any intervention of ours in Iraq or Jordan.
- R.A.B. Can't press U.S. not to act – in face of sit<sup>n</sup>. in Iraq – because of vital import<sup>cc</sup>. of securing U.S. interest in M/E.  
 Subject to caution on announcement & reportg. to S. Council, we shd. support their intention to intervene. W<sup>d</sup>. like a token Br. contingent to show it as Anglo-U.S. initiative.  
 Arab nationalism. Sh<sup>d</sup>. have preferred to find basis of friendship. But can't let it slip away.  
 Favour Br. intervention – either in Iraq or Jordan. Can't yet decide which it shd. be.
- H. Failed in past to look far enough ahead & define our objectives. Can't afford to occupy any of these countries. Most we can hope to do is to sustain friendly Govts. for short period of years.  
 Possible limited objectives : seal Leb/Syrian frontier : preserve Jordan's independence. If U.S. do first, we cd. do second. But do both at once. Angle for invitation fr. Jordan. Approve U.S. intent<sup>n</sup>. Respectable first aims.
- H.A. No confidence in "friendly" Arab Govts. or their régimes.  
 We must not move save on Anglo-U.S. basis.  
 Grim prospect to back policy based on oppos<sup>n</sup>. to Arab nationalism.  
 Hard to intervene, even on request, to help suppress internal insurrection.  
 x| If U.S. go into Lebanon, it won't stop there : increases chances of our having to intervene in Iraq/Jordan.

But always thght best hope for M/E.was to secure U.S. interest. Hard therefore to ride them off now.

We shd. warn U.S. of x/. Can't see what ultimate consequences mght be. Can we see our way through to a long-term objective?

- D.E. Have thght for long we shdn't hold M/E. with oil revenues going to a limited no. of States & not benefiting a middle-class society. If we can't kill N., how check spread of Arab nationalism.  
But if U.S. want to intervene, we must support them.  
Importance of saving India. U.S./U.K. financial support.
- A.L.B. E. is not natural leader of Arab opinion. Disliked in many Arab countries (leaders). If we wait until there is external aggression everything will go  
We cdn't discourage U.S. Don't be too gloomy with them over where it all leads.  
But agree there ought to be some action elsewhere.
- D.S. Danger of Arab empire under N. Suez mght have nipped all this in bud. Lebanon  
Now Iraq. If no action taken, Jordan will soon go. And Gulf may be threatened.  
Then S. Arabia & N. Africa.  
Here is chance to make a stand, jointly with U.S. Not only Lebanon – much wider issue – we shd. make that clear to U.S.  
Legality is of gt. importance. Lebanon : action at invitation of existg. Govt. Arab Union : King of Jordan cd. similarly invite us both.  
If any mil. action, quicker the better.  
Importance of Habbaniyah. If local Iraq garrison still friendly, we cd get in & make it a rallying point for loyal forces – and point of entry or exit for the West. 800 R.A.F. personnel .  
W<sup>d</sup>. wish token Br. cont<sup>n</sup>. in Lebanon, to secure U.S. co-op<sup>n</sup>. in any operation of ours in Iraq or Jordan.
- S.LI. Jordan has now asked what we are going to do.
- R.M. This gives us opportunity to get him to ask us to act in his defence.
- K. i) Legal posn. must be clear. Don't think it's enough to be asked in if it's internal insurrection. In Lebanon, we must be able to show that it's new form of aggression – insurrection fomented by external agents. Gaitskell is saying it's purely internal politics.  
ii) Where do we go next? In Jordan we must equally be able to say that operations or threat are inspired by N.  
Suez lesson is that we must have a continuing basis for intervention. Protection of Br. nationals may not suffice.
- Hail. Doing nothg. may be no less dangerous. Can't see ultimate result of either course.  
Can't decline to support U.S. intervention. Not much advantage in having token Br. force with them. We may need all our forces for Iraq/Jordan.
- H. Hard to hold India & Ceylon in Commonwealth if we can't get legal position clearly established.
- J.H. Large-scale operation. Have we resources for it?

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- H.B. Much more than a gesture. Will be major operation & we must be sure U.S. have will to go thro' with it to the end.
- S.L.I. If we don't intervene, Arabs wd. unite v. us & deny the oil. My belief is that we shd. answer all U.S. ques in affirmative.  
Read draft tel. to U.S.
- P.M. Must put it on a wider basis.
- S.L.I. Read tel. fr. W'ton. Clear now that sugg<sup>ns</sup>. of our not joining in Lebanese intervention is made solely to leave us free to act in Iraq & Jordan. Arguments pro & con. a Br. token contrib<sup>n</sup>.
- P.M. Good U.N. case for intervention in Lebanon to seal Syrian frontier. But this is not worth doing per se. There is Iraq/Jordan too. And all must be on an Anglo-U.S. basis, even tho' we share out the tasks.
- H. Consult with Opposition?
- E.H. May lose some waverers in our own Party.

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C.C.56(58)

14<sup>th</sup> July, 1958  
(11 p.m.)

Middle East.

[Enter E.H.]

P.M. Summarised upshot of conversation (telephone) with President E. Clear they mean to go on in Lebanon. They don't want us to join in. : tho' they don't much mind one way or another. No advantage of insisting on having a token force with them. W<sup>d</sup>. not increase our hold on them – which is moral, if anything.

H.A. Balance of advantage is against our joining in this.

H. Canada & India will take it easier if U.S. goes in alone.

R.A.B. Quite a blow to our prestige.

Hail. Our honour is involved in Iraq/Jordan rather than Lebanon.

I.M. Damage to Br. interests in Iraq : will be even more damaging to our prestige if U.S. act and we do not.

D.S. Habbaniyah has gone off the air.

M. Serious that U.S. are thinking only in terms of Lebanon.

P.M. Read record of conversation with President. Propose now to say, in reply : -  
i) I will ask for his assurance tht. they will go thro' to the end.  
ii) Some advantage in keeping our men in reserve.  
iii) That gives us more time to get Commonwealth in line.  
iv) Will add to blaze in M/E. Must recognise that.  
v) If they go on, hope they will make best case they can v. Nasser at U.N. at once.

Second message.

- i) Request fr. Hassan. Will you come in on this? Token force? Moral support, of course. Method vis-à-vis U.N. Time is short.
- ii) Iraq – we can't tell. Habbaniyah uncertain. Don't know how Army will go.

I.M. How explain our inaction in Lebanon if we don't act in Jordan. v. difficult with our supporters.

P.M. We can ask King Hussein what he wants us to do.

D.S. Better to get in before violence breaks out there.

Hail. To safeguard his frontiers v. threat fr. Iraq. And get him to ask for U.S. intervention as well as ours.

I.M. Content tht. we shd. not participate in Lebanon intervention. But important tht. we shd. make parallel move at once to Jordan.

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- S.LI. King Hussein has asked now for assurance of U.S. assistance if necessary to preserve J. independence – and will ask for U.K. help too.
- D.S. Avoid getting into “Chamoun” situation.

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15<sup>th</sup> July, 1958Middle East.

[Enter 3 Serv. Min, M/S., Att.G. E.H.]

- P.M. Read his messages to President E. Tels. 4477 and 4478 to W'ton. Message (2 a.m.) from Adml. Holloway. Assault 1 – p.m. G.M.T. to-day.  
U.S. intentions in S. Council – Ottawa 746 – to ask U.N. Force to take over from them.  
Hard to know how sit<sup>n</sup>. will develop – and what U.S. intentions are.
- S.Ll. Bagdad has announced Nuri has escaped. B. Embassy : one casualty only. 2 U.S. citizens believed killed. Air Force seems to be with rebels. No animosity to foreigners – tho' this may develop as result of intervention in Lebanon.  
We are alerting Rulers in Gulf – to beware of sabotage.  
We are concerting arrangemts. with U.S. to protect lives & property in Lebanon.  
C.O.S. are moving ships to stand off Tripoli.
- P.M. Jordan. Request for intervention “if this shd. prove necessary to preserve integrity & independence of Jordan – against any external threat, wtr from Iraq, Syria or Egypt.”  
What is our legal pos<sup>n</sup>.?
- S.Ll. Considerable evidence of supply of arms & conspiracy v. King's life.
- Att.G. Art. 51 : collective self-defence. Any assistance to a member concerned in legitimate self-defence is covered – not only aid given under a system or treaty of collective security. We shd. therefore be w'in our rights in giving aid on request.
- K. And aggression includes internal insurrection externally inspired.
- P.M. Stronger case here than in Lebanon where Sec. Genl. has blown on the 'evidence' of external interference.
- Att.G. Difficulty arises, not on despatch of troops, but on their use.
- R.A.B. We are in danger of being left out – not seen to be doing anything to remedy our loss of prestige.  
If we went in to Jordan, we shd. have solid bridgehead – with U.S. in Lebanon.
- S.Ll. We shall send to F.D. this morning reasoned case for intervention in Jordan. We shall also ask Hussein what help he wd. want & where & logistics.  
Have asked Israel for sympathetic attitude to over-flying en route to Jordan.
- P.M. We shall know soon what Arab re-action is to U.S. intervention in Jordan.
- C.S. Diff<sup>ties</sup>. of U.S. intervention in J. : no l. of c. or supply.  
Iraq. What can we do to protect Br. lives & interests in Iraq?
- S.Ll. We shall be pressed here to get a strong-point at Habbaniyah.
- P.M. Impracticable to seize it by airborne landing.



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- D.S. Can't assume it to be friendly. Monitoring of our messages etc.,  
Jordan (resumed).
- P.M. Att.G. to consider legal basis on which King H.'s appeal shd. be founded.
- D.S. W<sup>d</sup>. prefer to be invited in before disorder begins.  
Iraq (resumed).
- S.LI. Shall we say to Ctt<sup>ee</sup>. (rebels) that we hold them responsible for damage to Br. lives & property. W<sup>d</sup>. it involve admission of their victory?
- P.M. Say in H/C. that we shall hold them responsible. Consider wtr we sent message to Ctt<sup>ee</sup>. e.g. thro' Italians.

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C.C.58(58)

16<sup>th</sup> July, 1958

1. Middle East. [Enter 3 Serv. Min., Att.G., E.H.]
- P.M. Summarised military possibilities.  
Stated legal pos<sup>n</sup>. as advised by Att.Genl. W<sup>d</sup>. we report to U.N.
- Att.G. Quoted Art. 2(7) of Charter – no interference with domestic affairs of any State.  
If we can keep w<sup>r</sup>in that, we can keep U.N. out. But politically may be advisable to inform U.N. We shd. be under oblig<sup>n</sup>. to report to U.N. if we began to use force to assist them in m<sup>r</sup>taining their independence.
- K. Wise to notify to U.N. that we were going in.
- D.S. For limited objective of holding airfield & protecting King & his capital, our plan will suffice. If larger U.K./U.S. op<sup>n</sup>. became necessary it wd. be bridgehead for that.  
They can be supplied by air. No gt. risk of attack on them by J. Army. Mght stiffen waverers in Iraq army.
- P.M. Diplomatic situation.  
Recommend tht. S.Ll. goes to W<sup>r</sup>ton to-night – accompanied by Hayter & Dickson. Agreed.
- S.Ll. Dilemma : time factor. J. mght go in 24 hrs. But dare not act w<sup>r</sup>out consulting U.S. Suggest we send to F.D., while I am on my way, draft of tel. we wd. like to send to Jordan.
- P.M. Sh<sup>d</sup>. we not m<sup>r</sup>while send interim to Jordan – outlining force we cd. supply and y| indicatg. basis on wh. he shd. found his appeal : and making it clear tht. on ques wtr we shd. so act we are consultg. U.S.
- R.A.B. Legal situation. Doubt if we can rely for this purpose, on Art. 2(7). Public opinion won't like it, if we do even less twds U.N. than U.S. have done in respect of Lebanon.
- P.M. F.D. has clothed his action in a wealth of U.N. resol<sup>ns</sup>. and procedures.
- Att.G. U.S. are intervening in situation where force has already bn. used.
- R.A.B. They are not using any.
- R.M. U.N. were already in Lebanon up to the neck.
- P.M. Vital, long-term need is tht. U.S./U.K. shd. move together. We must wait one more day and try to keep the Alliance. Best of all wd. be to get U.S. contrib<sup>n</sup>. If not a joint force, they must be as much in support of us in J. (U.N. & otherwise) as we are in support of them in L.
- R.A.B. Still want information from Israel. Are we sure they will accept our intervention?
- S.Ll. Doubts about King invited us in to help in preserving order. Legally may be better. Politically, better to base it on "indirect aggression".

- Hail. Best to get him to make an unconditional request.
- Att.G. Then we wd. act w'out sure knowledge of facts.
- P.M. Optimum : U.S. co-op<sup>n</sup>. – desirable, not only politically, but militarily too, for their larger aircraft can bring in heavier weapons & better supply. Then we cd. together consider how to restore sit<sup>n</sup>. in Iraq.  
Next best : get U.S. support for U.K. operation – and their help & advice with U.N.
- S.Ll. Israel : Amb. here judges tht. our proposed action wd. be acceptable to his Govt.
- H. Is it safe to send force of this size w'out U.S. support.
- D.S. Yes : cd. expand it to 4.000 – and objective limited.
- H.W. Want advance assurance of U.S. support if we get into trouble.
- P.M. If F.D. does commit himself, he will see it through.  
Finally, are we sure it will improve pos<sup>n</sup>. of King Hussein?  
W'drew sugg<sup>n</sup>. at y/ – holding tel. to J. shd. merely say S.Ll. is going to U.S. to discuss.
- G.Ll. Don't disregard dangers. Suppose Iraq claimed J. was part of united country & sent I. army v. us in J?
- D.S. V. unlikely. As we can't mount exped<sup>n</sup>. v. Iraq from J., so they cd. not easily mount op<sup>n</sup>. v. us in J.
- C.S. If it went wrong, nos. wdn't help : it wd. be because out-weaponed. Heavy weapons cd. only be provided by U.S. – from Germany. They ought to be at readiness to act at once.
- H.W. Key to this is therefore U.S. Globemasters.
- K. The other risk is that, if we don't act quickly J. may go over to Nasser.
- P.M. Holding tel. to J. Don't discuss basis on wh. he shd. appeal – reserve that for disc<sup>n</sup>. with U.S.  
S.Ll. to go to W'ton.  
Optimum : Full Anglo-U.S. operation.  
Next best : 3700 U.K. force, with token U.S. cont<sup>n</sup>.  
Third : U.S. will support initiative, as we do theirs in Lebanon, & co-operate in U.N. etc.,  
Seek joint U.S./U.K. planning for M/East as a whole – politico-military.  
M'while study legal basis : tell our man in Amman how it shd. be framed if King wishes to act before US/UK agreement is reached.

2. Cyprus.

UNCLASSIFIED

- ALB. Govr. wants to ban T. terrorist force (T.M.T.) & arrest its leaders. Also to act v. Eoka. All official advice (C.O. & F.O.) favours it. But I believe it to be inexpedient at this moment.
- K. Madness to take anti-Muslim action now.
- S.LI. F.O. believe T. wd. take this. Why not act v. Eoka & tell T. Govt. to instruct their organ<sup>n</sup>. to lay off because of sit<sup>n</sup>. in M/E. generally.

Agreed : C.O. to have auth<sup>y</sup>. to make arrests (not proscribing organ<sup>n</sup>. if, after caution re wider M/E. interests, Govr. persists in his request.

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C.C.60(58)

17<sup>th</sup> July, 1958

1. Middle East.

[Enter A.N., EH.

P.M. Still seeking clearance fr. Israel for over-flying. If we can't get it, operation is impossible. Israel may try to attach conditions. One aircraft went in [& has returned to Cyprus]. Others are held.  
U.S. have clearance for their op<sup>n</sup>. : & it is proceeding. First intervention.

A.L.B. News is breaking : on tapes and in Press.

R.A.B. Awkward situation in H/C. Will have to tell the truth.

2. Parliament.

R.A.B. Business for next week.

C.C.61(58)17<sup>th</sup> July 1958

1. Middle East. [Enter E.H.]
- a. Reply to Soviet Note.

P.M. Interim answer given in H/C.

S.Ll. Mtg. y'day with F.D. & Nixon. U.S. much offended by terms of K.'s letter. But prep<sup>d</sup>. to suggest extraordinary mtg. of S.C., to wh. President wd. go. Spoke later to Sec. Genl., who favours this. U.S. ready for informal mtgs. on the side. Diff<sup>ies</sup>. : a) rep<sup>n</sup>. of China & Iraq. b) can't have resol<sup>n</sup>. : must say in advance how wd. be put fwd. unless agreed. c) invitee: cd. India be brght in under that head. Advantages : some formality & rules of order. Possibility of continuity : adjourn & re-convene.

P.M. Sh<sup>d</sup>. be a mtg. of Heads of Govt. W'in framework of U.N. (K. mentioned Sec G.) Disc<sup>n</sup>. : to avoid veto. Mtgs. on the side.  
How do we concert replies? French have agreed in principle to Summit Mtg., & have said so.  
Lodge is to put fwd. U.S. sugg<sup>n</sup>. in S. Council this p.m.

S.Ll. Read Tel. to W'ton.

Ch.H. Need to put out further statement today – even from No. 10 this evening, around 10 p.m.  
After further discussions – agreed that this be given as guidance to Press as news comes thro' from N. Yk.  
Aim at despatching formal reply to K. to-morrow. After agreement on substance vice words.

- b. Over-flying Israel.

P.M. Diff<sup>ies</sup>. with Israel Govt. Trying to meet them – by reducing no. of flights, use of U.S. aircraft, and possible letting Israel turn a blind eye.

C.C.64(58)

24<sup>th</sup> July, 1958

1. Parliament. [Enter E.H.

R.A.B. Monday. Debate on defence. They will expect D.S. to spk. mainly on ques of organisation. Will try to get Opp<sup>n</sup>. to agree to announce it as “defence, with particular reference to ques of central organisation for defence”.

P.M. This is price for avoiding further debates on F. Affairs.

R.A.B. Adjourn 31/vii. Shall have to promise recall if necessary. Statement next week on re-assembly – spill-over etc.,

2. Middle East.

- S.LI. i) K.’s reply. We must see tht. Summit mtg. is confined to M/E., and that settlement on Lebanon & Jordan is obtained before wider debate. Representatives of Arab countries – 10 : cd. be ridiculed. Can’t agree to Monday – prob. early August.
- ii) Lebanon. Signs of realism – need for domestic agreement – Murphy at work on this. Leave it to him.
- iii) Jordan. Uneasy situation. Best means of re-assuring them is that we are opening supply route thro’ Aqaba. Israel is causing trouble by leaking re possibility of stopping air-lift to Amman.
- iv) Iraq. Wright thinks many members of new Govt. are horrified at events. Mainly Liberal. Communists are disposed to oppose it. At least there are some reasonable elements in it.

H.A. B/E. have bn. considering wtr Iraq Bank shd. be allowed to draw on deposits. Jordan Govt. had sought to veto it, qua Arab Union. Legal advice : Union had no rights : Iraq Bank under control of Iraq Govt. F.O. and legal advice co-incide in favour of allowing Iraq Bank to draw on their sterling deposits. B/E. are now continuing normal dealings – tho’ w’drawals outside sterling area will continue to require Ty. approval.

P.M. Court mourning. All precedents suggest no need – save for monarchs related to our R. Family or special cases e.g. Roosevelt. But it wd. be wise if some service were held : Ld. Chamberlain wd. then go.

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[Exit S.LI., D.S.]

3. Parliamentary Privilege.

R.A.B. V. little to say. Nothing new on P.Q.’s. Can’t modify rule v. ques on day-to-day admin<sup>n</sup>. of nat<sup>d</sup>. indust<sup>ies</sup>.

No point in referring this to Ctt<sup>ec</sup>. on Procedure. This matter really can't be resolved. On this aspect therefore I propose to say nothing. C<sup>d</sup>. be mentioned in my evidence to Ctt<sup>ec</sup>. on Procedure in the autumn.

- P.M. Are they more worried about pos<sup>n</sup>. of nat<sup>d</sup>. Ind<sup>ies</sup>. or about libel actions.
- R.A.B. The latter. Therefore I am going to make a statement on that aspect. Outlined lines of statement.
- G.LI. Nat<sup>d</sup>. ind<sup>ies</sup>. : firms in contract with them are nervous of making complaints for fear of nat<sup>d</sup>. industry taking it out of them.
- G.W. Not when there is a real volume of complaint.
- R.A.B. Will send copies round to Ministers – welcome any comment offered over week-end.

[Enter Marples, D.W-S., Bevins.

4. Investment Programme : 1957-62.

- H.A. As in memo.
- M. Crux is para. 21. Growth in G.N.P. Task of coal & electricity & atomic energy is to enable that growth to develop.
- P.M. Injection of investment may i) increase volume of production but ii) in some cases may serve only to reduce cost of same volume of production.
- M. Much needed merely to m'tain production volume.
- P.M. And 4<sup>th</sup>. element = investment for social ends.
- R.A.B. Why can't we get back to increasing rate of production – as in 1952 – \*? Great need now is to revive that movement. We compare ill with Germany & others. Wdn't want to hot up housing. Done v. well on this, already. Not keen on public sector generally – save the utilities. We shd. put most of our effort into private sector, with a view to increasg. productivity.
- M. Doubt if this distinction is so sharp. Stimulatg. public expenditure is best way of getting private industry going.
- H.A. RAB right in rel<sup>n</sup>. to long-term : not in short run, to cure unemploymt. Private investment in industry must be m'tained for longer-term. If we want to stimulate employmt., unwise to put up consumpt<sup>n</sup>. (because means more imports & b/p diff<sup>es</sup>.): wiser to go for exports and investment – which, at 2<sup>nd</sup>. remove, will in fact stimulate consumer expenditure.
- H.W. Confine ourselves to orders which wd. go to our capital goods industries.
- ALB. Endorse para 23. This is minimum required to enable us to invest overseas as we should. Failure of some recent Colonial loans.
- H.A. Won't be easy to reach the figure given in para 23 .....



- I.M. .... Agree with D.E. We shall need a sharp stimulus to pull thro' end of U.S. recession. By Jan. we shall prob. reach 3% of unemployment = 800.000., if no change. We ought to prevent that. Believe public investment wd. be quick-acting remedy.  
Local black spots. Bill is now through. Ctt<sup>ec</sup>. examining means of relief. Want to consider selective action directed to those – on investment.
- P.M. General target for next year – increase by £75 M. W'in that total plan selectively in light of points raised in discussion.  
M'while, before recess, wd. wish to get auth<sup>y</sup> to stimulate employmt. in remainder of current year. A total & also indication of best direct<sup>ns</sup>. Unobtrusive action – no statement.
- H.A. Agree – ready for decision on short-run next week.
- P.M. Selection. Housing useful for providing empl't. Not politically necessary.
- H.A. It is short-run expedient. C<sup>d</sup>. make correspondg. red<sup>n</sup>. in long-term p'mme
- E.M. Limits are now fixed in terms of money. Wage increase therefore means cutting back p'mmes. This makes last sentence of para 4 unattainable. Suggest therefore we plan in real terms, not money value. Suggest we also get agreed definition of what is investment. For us it includes quite a lot of removals (e.g. telephones). Consider productive industries separately from non-productive. And extent to wh. firms plough back profits.  
Finally select industries where new orders wd. yield quick results.
- Education.
- G.Ll. This is not a Dpl. proposal – it is based on pol. desire to overcome 11+ difficulty. We can't afford to stand wholly on defensive re secondary modern school. Basis of my plan : maximum of pol. as well as educational advantage w'in financial limits which cd. be accepted. See para. 15. net increase on current expenditure of only £6 M. This achieved by a) capital expenditure and b) concentration on secondary education. Growing recognition of value of education. More children staying after compulsory age. Steady 10% in grammar schools. In secondary modern schools only 5% : but only 20% of those schools can give the extended course : thus real increase measured by desire is much higher. The 80% are really old elementary schools which can't give full benefits of '44 Act. Technologists – can't be produced save from children staying on until 16 or 17.
- H.A. W<sup>d</sup>. mean committg. ourselves to spending £105 M. add<sup>l</sup>. over 1960-65.
- G.Ll. Burden in 1960/61 (Ty.'s worst year) would not be v. great.
- P.M. Political importance of a theme. Can't rely on housing in next phase – and anyway v. expensive. If we decide to do this, we shd. produce a Wh. Paper in the autumn. Plan practical p'mme which causes least diff<sup>y</sup>. in terms of finance.
- R.A.B. We shd. present it together with prisons, hospitals. And see that we have made a start before Election.
- P.M. RAB to work out plan accordingly, with H.A., (or J.E.S.) G.Ll. and D.W.S.

Hail: C<sup>d</sup>. we be ready to make this the theme for next Party Conference in October.

5. Teachers : Training.

G.Ll. Ty. accept this. But some Ministers prefer to delay announcement until early autumn. I accept that.

H.A. My own view, not on financial grds., is tht. we shd. not extend training period to 3 years. Shan't get enough teachers at 3 yrs.

G.Ll. V. difficult to go back on announced policy.

H.A. Ready to accept scheme.

6. Malta Dockyard.

A.L.B. Project for firm to take over.  
Want authority to announce before H/C. rises.

Agreed.

7. Prince Charles.

P.M.

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But she has decided to announce creation of Prince Charles as P. o. W. No ceremony until he comes of age.

C.C.65(58)

29<sup>th</sup> July, 1958

1. Meeting of Heads of Govt. [Enter E.H., J.E.S., E.M.]
- P.M. Indicated probable line of reply to K.'s latest note.
- S.Ll. Fr. are opposed to quick reply.
2. Broadcasting.
- K. PMG. has converted me to view tht. enquiry wd. be politically preferable. H.A. Ctt<sup>ee</sup>. thght decisions cd. be taken by Ministers. Sub-Ctt<sup>ee</sup>. has considered it further. Dec<sup>n</sup>. on this now submitted to Cabinet.
- P.M. Largely a political question.
- E.M. Must say something on 3<sup>rd</sup>. channel T.V. 2 year-period expires March '59. Right decisions wd. be to have none – no public demand – and to concentrate on full coverage for existg. channels. Also dec<sup>n</sup>. pending on no. of "lines". If we had a new channel, any dec<sup>n</sup>. wd. be v. unpopular. But so wd. decision not to have one – for p'mme cos. cd. stimulate demand for it. I therefore prefer enquiry. Normally to have one before renewing charter of B.B.C. Three years needed normally : 18 mos. for Ctt<sup>ee</sup>. & 18 to consider its report. (Charter expires 1962).
- P.M. Wise to get periods of BBC and ITA co-terminous. ?By extending B.B.C. to 1964.
- R.A.B. Highly contentious. Favour enquiry. But high-grade Chairman needed.
- Hail. I'm not in favour of wide enquiry. It will arouse pol. controversy – a) from high-minded supporters of B.B.C. b) from p'mme contractors, who reckoned on clear run to '64 and are now doing well – and are sensitive to criticism of their profits. c) tho' general enquiry must be held sometime, operative date for dec<sup>n</sup>. is not until '64 & it wd. be likely tht., if we have one enquiry now, there will be 2. There is no case for 3<sup>rd</sup>. p'mme T.V. Don't need to have enquiry for that. Wrong to have enquiry pending during Election – for we want to claim credit for I.T.A. and shan't be free to do so if it's sub iudice. Ready to have enquiry into limited technical ques of 3<sup>rd</sup>. p'mme & lines.
- Ch.H. That is only urgent question. We cd. justify decision to p'pone that. General enquiry : telescope B.B.C. and I.T.A. enquiries. Announce tht. this will be held e.g. 1962 and techn. ques taken with it. Can't suggest enquiry now wd. settle what shd. be done in '62 for B.B.C. and '64 for I.T.A.
- E.M. This Govt. wd. then lose control over comp<sup>n</sup>. and t. of r. of enquiry.
- J.E.S. Third p'mme wd. involve £7 m. capital expenditure. M'tenance (if under B.B.C.) wd. mean increased fee of £1 and no surrender of £4 M. revenue to Ty. [Enter S.Ll.]

- I.M. We cd. gain credit by turning down 3<sup>rd</sup>. channel on basis we must first cover whole country with existing p'mmes.  
Ty. cd. then be left to milk the profits.
- J.H. What is wrong with big profits on big risks?
- J.E.S. Also discriminatory taxation wd. be undesirable.
- P.M. But large profits, arising from monopolies handed out by State, are open to criticism. Tho' Press won't start that.
- x | P'pone enquiry for a year or so. Make plan to harmonise periods of BBC and  
| I.T.A. On 3<sup>rd</sup>. p'mme, decline to announce a decision or say that, given pos<sup>n</sup>. of  
| capital exp<sup>re</sup>, country shd. make do with 2 channels. Preferably 2<sup>nd</sup>. of these  
| alternatives.
- E.M. W<sup>d</sup>. try to carry that line. When shd. we make announcement?
- Ch.H. y | Wait until Parlt. re-assembles.

Agreed as at x/. and y/.

3. Opening of Parliament : Television.

- R.A.B. Film (colour) wd. have avoided transmission of whole Speech. But technical diff<sup>es</sup>. – light and heat 6 times greater. Almost intolerable for the Queen.
- D.S. C<sup>d</sup>. have (black & white) film for T.V.
- P.M. If we can't have colour film, better to have actual on T.V. (live).
- Ch.H. Colour film, in future, wd. be useful overseas. But this year let us confine ourselves to T.V. (actual).
- E.H. Views in H/C. divided : <sup>1.</sup> none/<sup>2.</sup> Gallery only/<sup>3.</sup> whole hog. There is a good deal of oppos<sup>n</sup>. to 3. – esp. as leading to b'castg. of Parl<sup>y</sup>. proccdgs.
- J.M. Intuitive dislike of whole idea.
- P.M. Bound to come : don't appear to be obstructing the inevitable.
- Hail. Has always bn. a public ceremony.
- R.A.B. B.B.C. should handle it.

Agreed : announce Thursday in both Houses.

- J.E.S. Press will want to take photos. at same time.
- P.M. Limit it to 3.
- R.A.B. Want Opening on 28/x. Awkward because D/Ed. was to be in Canada.

[Exit E.M.]

4. Middle East.

- S.LI. Mtg. of Bagdad Pact. Declaration published. Future organisation of Pact – agreed to “coast along” pro. tem. Para. 4 of declaration has effect of bringing U.S. more closely into defence association in M/E., tho’ without need of Congressional approval of a formal Treaty.  
3 M/E. members of Pact all favour recognition of new Govt. in Iraq. U.S. are of same opinion. Wishful thinking to suppose they are v. nice. But Govt. does contain some liberal elements. Includes also a nasty Rashid Ali element. Not therefore a v. savoury Govt. Much of the agitation was v. feudalism, not v. West. Germans will recognise tomorrow. Other Europeans likely to follow. On practical grounds it is in our interest to recognise. The new Govt. has promised to honour internat<sup>l</sup>. oblig<sup>ts</sup>. No reason therefore to w’hold recognition.
- G.LI. Why have T. so quickly changed course? A few days ago threatened invasion.
- S.LI. Practical reasons – realised they cdn’t act w’out support & wdn’t get it.
- H. Pak. similarly have come right round & favour recognition.
- A.L.B. What is legal pos<sup>n</sup>. of Arab Union? How do we stand on that?
- S.LI. It has some of the attributes of a State. But one member can dissolve it. More like a Federation.
- A.L.B. Difficult choice. Nauseating method. Calculated murders – not mob violence. Planned extermination of all Hashamites. In earlier days Britain wd. not have bn. so quick to recognise. But can’t refuse to face facts – if they are in fact in control of whole country. Hope our inform<sup>n</sup>. is accurate. E.g. Turkish communities : surprising if they have gone wholly over. Also consider effect on Hussein (Jordan). Shall we be encouraging violent revolution there?
- S.LI. De facto recognition would make it possible to continue to pretend that Arab Union has not lapsed. But we need to discuss further.
- R.A.B. Not sure this Govt. controls mob.
- S.LI. But mob victory wd. produce worse Govt. still. Army is steady influence. Hussein : believe he realises recognition is inevitable : matter of presentation mainly.
- P.M. x | V. unpleasant. But believe there is no alternative. Good that Muslim Govts. are  
| anxious to lead the way. Br. interests will be served by recognition. Propose to act accordingly twds end of this week.

Agreed as at x/.

1. Heads of Govt. Mtg. (resumed).

S.LI. There will be diff<sup>y</sup>. re India. U.S. won't agree to it. There are 30 or so claiming to come.

P.M. C<sup>d</sup>. ask countries to come to table one at a time.

H. Doubt if Nehru wd. come on that basis to N. York.

S.LI. F.D. says he can't distinguish betwn. Nehru and States more interested.

H. N.'s statement is not helpful. W<sup>d</sup>. be little advantage in having him there.

[Exit H.5. Dr.

Alan Nunn May.

R.A.B. Haven't had time to get a line on him. [Exit S.LI.

6. Development Areas. [Enter Erroll.

I.M. i) We started with bias v. publ<sup>n</sup>. of a list.  
But decided a) we cdn't sell the plan to industrialists w'out it.  
b) it wd. be prised out of us.  
ii) Tougher attitude to I.D.C.'s – as in first part of statement.  
Propose to make public as written Answer to P.Q. Wednesday.

A.L.B. x | Places will say “unemplt. is likely to persist here, acc. to Govt.” V. damaging.

R.A.B. Also gives imp<sup>n</sup>. of high unemplt. in so many places.

M. V. doubtful course at this moment, when we are trying to help industry generally.  
Places don't seem v. important.

I.M. C<sup>d</sup>. avoid words at x/.

P.M. V. odd list – for Aug : a list of holiday resorts.  
C<sup>d</sup>. we, both in answer and in list, generalise a bit more : make it clear tht. whole lot is not more than 7% of total popul<sup>n</sup>.

Erroll. (ii) represents change of policy. But no absolute rule v. developmt. Matter of administrative discretion.

C.C.66(58)

31<sup>st</sup> July, 1958

1. Middle East. [Enter E.H.]

Iraq.

S.LI. Propose to recognise new regime in Iraq to-morrow. Other members of B. Pact are doing it to-day. No announcement in Parl.

Mtg of Heads of Govt.

S.LI. Diff<sup>ies</sup>. in N.A.T.O. – draft amended to meet their points. Read revised draft. Approved.

R.A.B. What will happen?

P.M. Will try to circulate “briefs”.

Local situation.

S.LI. Nil to report re Kuwait : no immediate danger. Need of education re dangers to any feudal system in M/E. Discussions on this are procdg. on spot.  
Jordan : diff. to assess : cd. be blown off at discretion by N. Alert to danger to the King. Recognition of Iraq will be a shock to the King. Br. troops have 41 days’ supplies. 2 ships arrived Aqaba.

H.A. What if J. Army (armour) turned v. us and the King.

P.M. Unlikely : more prob. that they wd. ask us to go.

H.A. Heavier anti-tank guns from U.S.?

D.S. No.

J.H. C<sup>d</sup>. not a-tank weapons go in now via Aqaba.

S.LI. U.N. shd. be urged to show themselves in Jordan – H.Q. etc., To discourage developmt. of trouble, esp. on W. Bank. That = greatest risk because Israel wd. then move & risk of major war.

Agreed : D.S. to consider wtr a-tank armament of these forces cd. be increased.

[Exit S.LI.]

2. Parliament.

R.A.B. Parl. will rise 1/8 : H/C. at 5. p.m. Usual promise to recall in emergency. Ctt<sup>ee</sup>. on Procedure. Shall have to give ev<sup>ce</sup>. in Oct/Nov. W<sup>d</sup>. welcome sugg<sup>ns</sup>. from Ministers for changes etc., Can they be sent to me in Recess?

3. Parliament : Television of Opening.

- P.M. Suggested tht. H/L. is a Court w<sup>r</sup>in meaning of s.41. of Cr. Justice Act.
- K. Judicial functions subsidiary to main function : and it is not functioning as court on occasion of opening.
- E.H. Feeling has warmed up – on both sides of this ques.

P.M.

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[Enter J.B.C., D.W.S.]

4. Pensions.

- P.M. Reported as in para 2. of brief : Agreed.  
.. .. 3 .. .. Diff<sup>ies</sup>. of this compromise – as in para 4
- J.B.C. a. will be the case in either event : because of individual injuries.
- H.A. Hadn't understood that.
- J.B.C. Amount of cont<sup>ns</sup>. goes up in steady progress : it is appl<sup>n</sup>. of that by State which varies.
- P.M. Is Ty. satisfied with compromise in para. 4?
- H.A. I don't like it, but all other Ministers favoured it. £8 is proper level for lowest earnings (tho' not prs. in '61) – reduces room for manoeuvre (i.e. to adjust flat rate benefit) to put it at £9 now. Leaves married at £4 – 50% of full (?) But this is not financial point – and I will accept views of colleagues on a.
- J.B.C. Obj<sup>n</sup>. b. W<sup>d</sup>. arise on any cross-bar. You cd. have diff<sup>t</sup>. bar for women. Figures do at one or two points bring women's pension above men's but at top it wd. be lower. This is, however, a separate ques and can be adjusted.
- R.A.B. Para. 67 of W. Paper suggests tht. it always happens – women over £11. Sh<sup>d</sup>. there not be more examples in W. Paper?
- J.B.C. C<sup>d</sup>. be ironed out – diff<sup>t</sup>. percentages. Add figure for £9, and then leave it for public opinion to develop in discussion.
- H.A. N.H.S. cont<sup>n</sup>. 2/4. flat. Why shd. it not be treated as absolute – and graduated cont<sup>n</sup>. adjusted accordingly? W<sup>d</sup>. leave us free to vary 2/4 later, as required.
- J.B.C. As now in W.P., at £9 & below : flat-rate 8/4 (employee) embodying N.H.S. cont<sup>n</sup>. split as at present. Above that 4 1/4% on each side in graduation. If Govt. wished later to increase it, they could.



We agreed Ind. Inj. cont<sup>n</sup>. shd. remain flat-r Adop<sup>n</sup>. of H.A.'s plan wd. not make even progressive increase.

RAB. But it means tht., if you raised NHS by 1/=, you wd. get anomalous results.

J.B.C. Inherent in having fixed element for I.I. and N.H.S.

Hail. Why isn't it easier to present as having N.H.S. flat r unchanged and graduated is only for remainder.

J.B.C. Why not wait for public re-action?

Ch.H. Enough to make it plain tht. N.H.S. and I.I. contrib<sup>n</sup>. are still unevenly divided betwn 2 sides.

P.M. Can we not get on with Bill on this basis. Then have Ctt<sup>ee</sup>. in being to clear up minor points – present<sup>n</sup>. in W Paper. Publ<sup>n</sup> in end/Sept. or 1<sup>st</sup>. week of October., before Party Conference.

P.M. Lay-out of W. Paper. C<sup>d</sup>. we not put whole of 1<sup>st</sup>. 4 parts as Pt I. Then our proposals, after blank page, as Pt. II.

R.A.B. Paras 35 and 53. Not enough justific<sup>n</sup>. for graduation, as big new developmt. C<sup>d</sup>. claim more for it.

H.W. Emphasis emerging deficit – e.g. by graph. Scheme is bust.

Agreed – subject to points noted above.

[Exit J.B.C.]

##### 5. Employment.

H.A. Next month expect seasonal factors to decrease level of unemplt. But thereafter it may rise fr. 400,000 to 600,000.

Work is going faster. Some p'mmes wd. out-run allocation unless we stopped them.

Even so, reflation p'mme of £30 M wd. be justified -

7,500 houses in E. & W. – with corr. reductions in later years.

hospitals £9 M. } arrears of maintenance.

Govt. bldgs. £1 M. }

L.A. misc. £5 M. in areas of high unemplt.

About 1/3rd. of this cd. go into areas of higher unemplt.

Other rapid items cd. be put in, if sit<sup>n</sup>. deteriorated in Sept.

Also : cd. relax h.p. control : wd. have same effect : esp for machinery & plant.

Propose to apply that in 3-4 wks' time.

RAB. What of prisons, educ<sup>n</sup>. etc.,

H.A. This is for money to be spent in remainder of this year. Not related to cap. investment p'mme.

H.B. Need to sort out details.

- I.M. Latest unempl. figures have not moved down, save for seasonal. Jan. peak may be 600,000 only vice 750,000 prev. assumed.  
Therefore we have sought projects wh. bring quick jobs, esp. in areas of high local unempl.  
This doesn't affect at all the long-term investment p'mmes.
- G.L.I. I cd. do £5 M. quickly on minor works – restoring cut in p'mme.
- D.E. Moves quite slowly.
- H.A. Ready to look again at proportions between the £9 M. and £5 M.  
x | But problem is to get more of £5 M in areas of high unempl. Also :  
longer arrears in hospitals than anywhere else.
- P.M. No announcement of this as a plan. Let it happen administratively.  
  
Agreed : about £30 M. H.A. to review distrib<sup>n</sup>. as at x/.  
H.P. changes to be announced 26/8.
- D.E. Steel now at 80% capacity & likely to drop to 70% by autumn. Demand is falling esp. for heavy construction & machinery.  
Car prod<sup>n</sup>. also expected to decline. Machine-tools : replacement orders falling off.  
Will h. p. proposal affect this? Means about £50 M more will be borrowed at maximum : tho' personal savings are dropping. W<sup>d</sup>. it be better to reduce interest rate?
- H.A. Don't rule out latter.
- H.A. Empl. implication. At £30 M prs. 30,000.
- D.E. Agree : but will make quite a stir.
- H.A. Better to act, as proposed, bit by bit – esp. Aug. – to avoid alarm.  
  
Agreed : H.P. relaxations as proposed.
6. Social Investment.
- R.A.B. Pensions W. Paper early Oct. Followed by Papers on Educ<sup>n</sup>. Hospitals, Prisons in that order. Housing : method wd be facilities for house-purchase.
- P.M. How do we work on this?
- H.A. Further mtgs. in September. After Ty. estimate of capital cost.
- G.L.I. But Hail. has to select resol<sup>ns</sup>. in Aug.
- Hail. I can do that.

7. Agricultural Policy.

- H.A. Will involve £3½ M. not covered in price review. Hope to recover £6 M of remainder in that review.
- P.M. Carries out promise made in W. Paper.
- J.H. Only one issue in negot<sup>ns</sup>. – grant v. loan point. May get over that by encouraging their plan for medium-term Bank credit. W<sup>d</sup>. promote idea of self-help.
- H.B. Paras 5-6. Small Welsh farms?
- J.H. Will benefit Wales.
- H.A. Hope good many Welsh farms will be cut out : not viable.

Agreed : Prep<sup>n</sup>. of Bill authorised.

8. Civil Aviation.

- a) Action re Kuwait Airline : approved.
- b) London Airport.

- H.W. Means R. service comes in around Oct. But our lines can't get to Moscow otherwise.  
Shall be tough on noise.

9. Cabinet Business in Recess.

- P.M. As in brief.

10. Financial Situation.

- H.A. Lost nil. on reserves this month. Seasonal or rather more debit on E.P.U. Expect to lose more in Sept./Oct. No sign of alarm.

C.C.67(58)

12<sup>th</sup> August, 1958

1. Middle East. [Enter O-G., Perth, H.Millar

P.M. Objective at U.N. : power to Sec. Genl. to operate in U.N. manner in J. & L.

O.G. To ensure tht. indep<sup>ce</sup>. & integrity of J. wd. be secured after we w'drew. U.N. supervision, not only over border, but over such interference in p'ganda. S. Genl.'s interest : to prevent break up of J. leading to Arab/Israel war.

P.M. We must await outcome of U.N. disc<sup>ns</sup>.

H.M. Risk tht. U.S. may be content to leave L. to Chehab w'out any U.N. help.

P. U.N. observers on Yemen/Aden borders. Have resisted this h'to – lest Rulers mght think this weakness on our part. May have to give way, in wider interest. If so, want to prepare Rulers for it.

O.G. Not an immediate issue. U.N. will have work cut out to do it in Jordan.

P. Even so, wd. like to inform acting Govr.

O.G. No harm in that – say that, if this principle is accepted for J. & L., it wdn't be possible to deny it for Yemen/Aden at some later stage.

2. New Zealand : Trade Talks.

D.E. Negotiations last year ended with dec<sup>n</sup>. to re-open in Apl. '58 whole ques of Imp. preference etc., Skinner came over for that purpose. They asked for red<sup>n</sup>. of preference margins : we made counter-offers wh. they accepted – but whole change agreed was in favour of N.Z.

We asked in return for i) no discrim<sup>n</sup>. v. U.K. in tariffs – they assented. ii) tht. they wdn't use quotas in discriminatory or harmful way to U.K. trade. – they refused, on grd. of labour preference for bi-lateral agreemts vice multilateral system. They have made such an agreemt. with Austr. : now they want one with Japan. Havg. declined to give us that assurance, they say they want to denounce Ottawa Agreemt.

This is turning point in Commonw. econ. policy. Move twds bi-lateralism, if we can't check it, may impair seriously prospects of multilateral trade world-wide. Nash, with majority of 2, has no call on our support. I wd. sooner see them denounce Ottawa : we wd. have a strong case vis-a-vis our supporters. But I see tht. such a reply wd. be risky at Montreal. Hence revised draft reply to Nash, suggestg. disc<sup>n</sup>. at Montreal.

H. Agree we shall have to face them on this. But I wd. sooner p'pone that until after Montreal.

P.M. Tariffs. We have agreed to reductions – 17½% to 10% & some by more. Quotas. His proposed action inconsistent with Ottawa & on that a/c he wants to give notice to terminate them. That wd. be a blow here.

H.A. But to accept it wd. be v. bad for our trade.

Agree denunciation wd. give us diff<sup>es</sup>. here – where sympathy is with N.Z.  
Favour sugg<sup>n</sup>. of another Ministerial mtg. Play it long.

J.H. If they are going to do this, we must prepare our p. opinion for it.

H. Must try to get him past Montreal.

H.A. We have a good case, but shan't be able to get across.

P.M. W<sup>d</sup>. sooner make a strong personal appeal to wait for Montreal. Set out what we have done over tariffs [and butter] & take credit for it.

Quotas : make the argument tht. you can't get new trade by this means w'out cutting into ours.

Surely we can hope to come to some agreemt. at Montreal wh. will enable us to preserve framework of Ottawa.

Make it suitable for publ<sup>n</sup>., if necessary, & warn him of this.

Put all polemical arguments, in support, thro' H.Commr.

J.H. Put butter into message itself.

P.M. Yes.

H. \* If he can't wait for Montreal, offer to send a Minister there beforehand.

Agreed.

3. Egypt : Financial Negotiations.

K. Doubtful wtr we will ever get better terms. Prize it holds is recovery of sequestrated – £171.5 M out of total claim of £210 M. And no hope of getting back that £171.5 M. w'out an agreement. [This figure includes £44 M. for Shell.] Against that, pol. difficulties. Sum is below real value and far below claimed value. Also wd. be assumed we had given them somethg. substantial for war damage and/or thrown away the Base.

But indications tht. E.Govt. don't want a settlement now. Therefore, if we accepted £20.5 or made a compromise offer, we shd. be worse off when negotiations had to be resumed.

Finally, time is not on our side.

H.A. x | Want to get this out of the way. But unwise to press it while Nasser is in mood not to make an agreemt. Hope there may be a chance to resume in 4-6 weeks.

P.M. y | Accept this recomm<sup>n</sup>. on basis of x/.

y | But why not start in 2 wks. or so to reach agreement on all terms of settlement save the figures.

| Our over-riding interest is to recover sequestrated assets and resume trade.

If we can proceed as at y/, we shd. then be in pos<sup>n</sup>. to finish it off at short notice whenever E. are ready to settle a figure.

Agreed: Wait for a few weeks – certainly until after Assembly.

Study y : and wtr we can give away on the small points outstanding.

Resolve that, if agreemt. can be obtained even at £20.5 m., it

would suit us to have it.

4. Dr. Alan Nunn May.

O.G. As in brief.

Hail. V. dangerous.

P.M. But he won't come back.  
U.S. re-actions. Not before Congress rises. Need we do it at all.

Agreed: { reject application for ppt., at any rate this year  
{ let him apply again in the Spring.

5. Cyprus.

P.M. Discussions in Athens & Ankara. Greeks don't like the plan – tho' ready to support cessation of violence, 7 year pause and during it some progress twds. self-govt. They dislike concept of partnership – because hatred of T. is a mainspring of their lives. But what they won't have is a plan wh. admits long-term T. interest in Island & share in its govt. – and because of tolerance of T. presence durg. 7 year will prejudice final solution in favour of Enosis. Despite this, they did discuss plan in detail. They put 4 obj<sup>ns</sup>.

- i) Executive Council : shd. be more than 4:2 majority. That wd. make no practical difference : majority is enough.
- ii) only forum for people as a whole is in Council – not elected.
- iii) dual nationality.
- iv) rep<sup>ves</sup>. of T. & G. associated with Govr.

They won't press i) or iii) v. hard. On ii) they cd. have offer of popularly-elected assembly at some stage. On iv ) they will press obj<sup>n</sup>. esp., to membership of Council.

I made it clear tht. I was not negotiating for their agreement. Ready to go on, in hope of their acquiescence. Gk. Govt. weak – frightened of Makarios & of Communism. They won't therefore support the plan. They will miss yet another 'bus. They haven't political strength to do anything. They made desperate plea tht. we shd. amend plan to meet their view. They also asked us to go back on A.L.B. declaration.

Ankara. Told them Gk. comment. They said strongly whole plan and nothing but the plan : no amendment of any kind. They pretended we were bound by it. With any amendment made they might slip out and oppose it altogether. Tho' they produced amendments for partition, base and all! But they do accept plan as it stands.

Procedure now. Useless to seek agreemt. Can only go forward & hope they will both come along.

- Three courses :
- i) say no prospect of agreement : drop it : carry on & govern Island.
  - ii) say we propose to carry out plan w'out amendmt. T. wd. co-operate. But no concession to Gk., NATO or U.N. W<sup>d</sup>. seem v. rigid.
  - iii) To make some adjustments in hope tht. it wd. reduce Gk. opposition w'out losing T. altogether.

All have risks. On (i) both G. & T. wd. m'tain extreme attitudes. We shd. lose agreemt. gained on peace + 7 year lull. I reject that course – no advantage to us, politically or in admin<sup>n</sup>.

On (ii) full T. co-oper<sup>n</sup>. But bitter Gk. oppos<sup>n</sup>. And internationally shd. be regarded as inflexible.

On (iii) we shd. have good international pos<sup>n</sup>. But changes shd. seem to be reasonable on merits & not made solely to meet Gk. obj<sup>ns</sup>. C<sup>d</sup>. also include pro. T. change. Separate municipal auth<sup>ies</sup>. wh. we can't in any event stop.

I prefer course (iii). That is advocated in Tels. 1170 – 1172 from Cyprus. Replies 620 Athens and 1284 Ankara give comments of our Ambassadors.

The great issue is whether we take the certainty of (ii) or risk gamble of (iii).

Fear Allen is over-optimistic. Gks. more likely to re-act strongly.

In either event there will be a period of more intense violence in C.

P. Believe A.L.B. wd. favour course (iii).  
Course (ii) wd. be v. run of the debates in H/C. – in which ALB took a flexible line, as did P.M.  
Course (iii) will help us with Labour in U.K. & international opinions as expressed.  
Diff<sup>ies</sup>. : drafts give us no “out” if troubles in Island or non-co-operation make it impossible for us to carry out our plan.

O-G. S.Ll. favours (iii).

H. I think gamble is worth trying.

H.A. Results of P.M.'s mission are better than expected.

H. Dual nationality. Sh<sup>d</sup>. we drop it. Gks work it administratively. T. don't want it.

P.M. Prefer to leave it in abeyance.

General feeling : clearly in favour of (iii).

P.M. Procedure. Time for argument is over. More will make it worse. Propose therefore to write & announce almost at once. Otherwise Gks. will leak. Publication Sunday papers.

C.C.68(58)27<sup>th</sup> August, 1958

1. Cyprus. [Enter A.N., Profumo, E.H.]

P.M. Referred to 3 courses discussed at last Cabinet. Agreed to announce a modified plan – with changes going as far as poss. to meet Gks.  
 Numerous tels. from Govr. Disposed to urge him to refrain any further statements, appeals etc., For we have to decide now wtr to drop our plan or to go ahead & implement it w'out a lot of talk. Then concentrate on securing end of emergency – the real immediate problem. Possibly, remove ban on the 5 exiles. But “ending of emergency” means more than that : we have just arrested 2.000 or so, w'out trial : we can hardly, in fairness to military, release them again. Think we shd. go fwd. with our plan. But return of M. is linked with “ending of emergency”. Must devise some statement about latter – on phased basis – if preceded by period of calm.  
 Provocative dates : 1<sup>st</sup>. Oct., arrival of T. rep<sup>ve</sup>. : first election. Ques is wtr “ending of emergency” shd. be between those dates or after both.

R.A.B. We cdn't devise another plan wh. wd. hold Turks. Must therefore proceed slowly with this plan. But security side must be handled cautiously – can't make 'concessions' too quickly.

P.M. Dangerous, politically, to name a date for M.'s return. Better, perhaps, to say that if over next [six] weeks violence ceases a phased plan will then be introduced for relaxing emergency regulations, for return of exiles and for progressive release of persons now under detention.

P. Opposed to committing ourselves now to a date for M.'s return. For once he is back, we have no hold over his admirers.

R.A.B. I agree. Can't take risk until evidence that violence is ceasing.

P. Wise to bring Govr. back for personal consult<sup>n</sup>.

P.M. Choice: (1) Let M. return after 1/10. Hope he will co-operate in peace, not in plan.  
 (2) N.B.'s formula.  
 (3) Same as (2) w'out a date.

Disposed to ask Govr. to consider these & return for consult<sup>n</sup>.

(C.C.69-71(58) inclusive : N.B. absent on annual leave.)



C.C.72(58)25<sup>th</sup> September, 1958

1. Pensions. [Enter B-C., J.S., E.H., O.G.]

a) Quinquennial increase.

- P.M. Case for our plan is that it puts pensions on a sound financial basis. Damaging therefore that it shd. be arguable that it involves continuing deficits for 20 years. Hence proposal of M/P. to advance first quinquennial increase by one year and to make Exchequer contrib<sup>n</sup>. also subject to quinquennial increase, thus restoring equal tri-partite character of plan.
- B.C. Exchequer point is v. important. But I'm ready to leave it over, in W. Paper so as to enable H.A. to join in discussion of that.
- P.M. Awkward to make this major change after first announcement – wd. seem to be yielding to pressure.
- J.S. Exchequer increase is made at start – from £125 M. to £170 M.
- I.M. 1965 is not 5 years from any date – R. Assent or introd<sup>n</sup>. – obviously chosen solely to balance the figures. Deficits are relatively small. On reflect<sup>n</sup>. not in favour of earlier date.
- J.S. Moreover, calcul<sup>ns</sup>. are based on uncertain factors. Think, however, figures are on high side presentationally; and I therefore favour making first review at 1965.
- K. 1965 cd. be justified as middle of decade.
- P.M. Deficits in App. II are marginal cpd. with those on p.4.
- M. Gt. disadvantage if Exch. doesn't share in quinquennial increases.
- J.S. H.A. was disturbed at original increase of Exch. cont<sup>n</sup>. He wd. wish his alternative method to be considered further before agreeing to give increase for Exchequer.
- P.M. On balance : don't advance first quin. increase by 1 year. Deficits are small in rel<sup>n</sup>. to turnover.
- K. Still think that wd. be bad, presentationally.
- H. Makes it more unpopular qua increased burden. May help to be able to say that, even with these increases, there will be small deficit.
- P.M. Increase of earnings at 2% is low.
- M. Cdn't argue that publicly.
- H.W. Support H. Cont<sup>ns</sup>. are v. heavy already. Greatest danger is criticism tht. cont<sup>ns</sup>. will be too heavy.

P.M. Believe that, if we advance it by one year, we shall need Exchequer increase as well. If we stand on paper as drafted, we cd. have Exchequer cont<sup>n</sup>. constant. As H.A. is away & has so little time here, I'm inclined to publish W. Paper as it stands.

Agreed : publish W. Paper as printed, w'out alteration.

b) Popular version.

P.M. Better avoid controversy over this. Let it be handled by Central Office.

c) Draft White Paper.

I.M. Assumpt<sup>n</sup>. of 3% unemployt. (p.4). Arguable that we shd. take more credit for new assumpt<sup>n</sup>. I wd. prefer that we shd. not – dangerous.

P.M. Why not add : “if unemplt. averaged 4% the excess of expenditure over income wd. be larger.”

\* [And] add also reference to earlier assumptions e.g. Beveridge's 8%

K. App. II – “on Govt. instructions”. Agreed.

B.C. Govt. Actuary wishes this to be made clear in rel<sup>n</sup>. to unemplt. and to contractg-out.

P.M. \* Then add also, in resp. of unemplt., the earlier assumpt<sup>n</sup>. Agreed.

2. Tin.

[Exit B.C.  
[Enter V-M.

V.M. Price has broken. Contrary to expect<sup>ns</sup>., it has not fallen v. far. D.E. seeing State Dpt.; but no likelihood that U.S. will help. Seems there may be chance tht. R. will join in.

A.L.B. M'while pol. re-actions in Malya, Nigeria etc., have not bn. bad.

K. C.R.O. wd. be glad if contact with U.S. cd. be m'tained thro' joint econ. measures machinery – wh. is considering needs of Malaya generally.

V.M. Reply to R. note is being drafted by F.O. and D/T.

3. Aluminium.

V.M. R. were given alternative – & are offering to limit their exports to escape anti-dumping measures by us.

[Exit V-M.

4. Foreign Affairs.

a) Far East.

O.G. No progress in Warsaw talks. But no sign of Ch. desire to break them off. Serious situation if they did.

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Local situation at Quemoy is stalemate. Caution on both sides. Supply improv<sup>g</sup> : looks as tho' island cd. stand out for 60 days.

P.M. T.U.C. have asked to see me to-day.

I.M. Disturbed about that. Hard to refuse. But they are playing politics. U.K. influence is being exercised thro' P.M.'s personal contact with Eis. C<sup>d</sup>. not that be brght. out in statement after interview.

H. Agree : Press shd. be made aware tht. Labour line is danger to peace.

b) Cyprus.

P.M. Makarios' new scheme.  
Gk. campaign v. appointment of T. rep<sup>ve</sup>. in Cyprus & remainder/plan.  
Spaak is proposing conference incldg. T. & G. Govts as well as Cypriots.  
Latest indication : Menderes may appoint as T. rep<sup>ve</sup>. the existing T. Consul Genl. in Cyprus, as a temporary arrangement. If true, puts T. Govt. in v. favourable position.

Will not reply to Spaak until after S.Ll. has returned.

L.O.'s shd. advise formally on Lausanne Treaty point.

F.O. shd. put the case, with K.'s help.

c) Middle East.

P.M. Thing's not going so well in Lebanon. But slower w'drawal of U.S. troops will defer diff. crisis for us in Jordan.

O.G. S. Genl.'s report will be subm<sup>d</sup>. to U.N. on Tuesd.

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C.C.73(58)

29<sup>th</sup> September, 1958

1. Foreign Affairs. [Enter C.S., W.D., E.H.]

a) Far East.

S.LI. U.S. Admin<sup>n</sup>. conscious of being "alone" – sensitive to p. criticism. Recognise the off-shore islands are militarily untenable, but believe Chiang cd. not stand w'drawal – & Communist triumph wd. undermine W. pos<sup>n</sup>. thro' F/East. Lines of settlement : demilitarise Islands, no ref. to Formosa, but diff<sup>y</sup>. will be over legal title to Islands. Cession of sovereignty wd. undermine Chiang & be a defeat for U.S. policy.

P.M. Chiang is blackmailing U.S. – pushing them further than they wish to go. His latest Press conference : v. tough line.

S.LI. Public conference is not best route to solution.

P.M. Three possibilities – i) – iii) [not heard] Possible (iv) : get Chiang to w'draw on mil. basis : to straighten the line : better than a negotiation leading to fake or weak concl<sup>n</sup>.  
My mood is to wait before pressing any solution on them.

S.LI. Possibility : P.M. note to K. asking him to exercise his influence for peace. If U.S. concurred.

P.M. Will consider that. But in general I think that in this private diplomacy is better than public – & want to follow that theme vis-à-vis U.S. Mght send a private note to K. Or do it thro' Malik.

b) Jordan.

S.LI. Sec. Genl's report will be publ<sup>d</sup>. to-morrow. No pressure for premature w'drawal of Br. Troops – present<sup>n</sup>. favourable to our case. Proposes roving U.N. Ambassador. Taking tough line with Nasser.

Radio propaganda is better. No diff<sup>y</sup>. over oil after we go. Infiltr<sup>n</sup>. not serious. Country quieter. Thus, the longer we stay, the more diff. politically for J. Govt. – and for us. J. Govt. want to announce on 1/10 tht. our w'drawal will begin on 20/10.

Recommend tht. on 1/10 we shd. announce this and promise completion w'in 3 wks from 20/10. [and be completed in 3 weeks from that date.] Sh<sup>d</sup>. be practicable, with overflying Syria & Lebanon : wdn't matter if some admin. troops cdn't leave for few days after 20/10.

If regime collapses after we have gone, it will be said our policy has failed. But we only intend to give them a chance – & this we have done.

If we don't act now, genl pressure will develop for our w'drawal – & we shall lose initiative.

W.D. This wd. be practicable. Can find ships on these dates.

P.M. Plan on assumpt<sup>n</sup>. we leave nil behind.

W.D. Early clearance for air-lift is important.

- S.Ll. Yes : no diff<sup>y</sup>. expected. Israel mght even welcome some going over them.  
On policy – general approval of S.Ll.’s proposal.
- P.M. Prepare “background” statement justifying our policy. We have at least won time.
- C.S. We cd. begin to move earlier – 10 days’ notice.
- S.Ll. Prefer longer interval – to allow things in J. to settle down.
- P.M. Agreed in principle – S.Ll. to have latitude to name an earlier date.
- S.Ll. J. Govt. don’t want earlier date : unwise to suggest it to them.
- S.Ll. Br. subjects in Jordan. Amb. at one time recommended their evacuation. Doubt if they (300 in Amman & 100 in Jerusalem of whom latter cd. go into Israel) are in greater danger than those in Iraq or Lebanon. Non-essentials only 130. They cd. in emergency be concentrated in Embassy. W<sup>d</sup>. rock J. Govt. if they were evacuated now.
- P.M. Mass evacuation now wd. destroy all we have gained. We shd. watch pos<sup>n</sup>. & encourage thinning-out if situation warranted it.

Agreed : no mass evacuation of civilians now.

## 2. Reserve Forces Bill.

- C.S. C<sup>d</sup>. call up 45,000 men w’out Proclam<sup>n</sup>. Sect<sup>n</sup>. A. (1<sup>st</sup>. real ex-regulars) Emerg. Reserves (completed reserve oblig<sup>n</sup>. but volunteered to take on). To fill holes in 2 Div<sup>ns</sup>. we shd. need another 25/30,000 – from T.A. Propose therefore to make reserve of volunteers for this, at £100 p.a. bounty.  
Renewal of 1954 Act – for global war, when much larger nos. wd. be needed. Must get them fr. Genl. Army Reserve. Those who served after ’48 only – wd. give us all we need : both groups are now under the oblig<sup>n</sup>.

- P.M. Simple renewal wd. go thro’ w’out diff<sup>y</sup>. But add<sup>ns</sup>. may cause comment. i) Call-up w’out Proclam<sup>n</sup>. at cost of £100 p.a. p. head – v. expensive, surely. ii) Global war – will provoke disc<sup>n</sup>. of all prep<sup>ns</sup>. for that. Will open ques of N. Service – shall we be able to dispense with it etc.,? Do we want a debate on that? If so, better on basis of a safeguard v. its failure.

Suggest Ctt<sup>ee</sup>. comprising –

Home Secy, M/D., S/S. War, M/Labour with Fin. Secy. to consider and report to Cab. on this, and on wider ques of powers to prolong N.S. if policy of all-regular forces shd. fail. Also to consider M./L. admin<sup>ve</sup>. ques connected with end of N.S.

[Exit C.S. and W.D.

[Enter D.W-S.

## 3. Social Investment.

K. Introduced memo. Priorities have in fact bn. adjusted already; for social investment has decreased as proportion of total.

[Enter A.L.B.

4. Cyprus.

P.M. Discussed with S.Ll. and A.L.B. We did not feel we cd. abandon or p'pone our plan. Nor that Makarios' offer shd. cause us to change our policy. T. has now asked for agreement to appoint<sup>mt</sup>. of their Cons. Genl. as their rep<sup>ve</sup>. under our plan : they had already agreed tht. he shd. have no executive functions. If conference were open or on basis of Spaak's plan, T. wd. prob. decline to come. Foolish, however to decline conference altogether – esp. as Gks. now concede right of T. Govt. to participate. Therefore, final sentence of F.O. Tel. 1399 to Paris (NATO)

x | But propose to authorise Roberts to make it plain that adjustments of our plan wd.  
| be accepted by us if agreed by all parties in the conference.

S.Ll. Agree. If we alienate T., they can stop all progress in Cyprus. In Gk. attitude I believe there is an element of bluff.

H. Is final sentence not too restrictive?

H.W. W<sup>d</sup>. aid us politically to have a conference.

S.Ll. T. agreement is on cond<sup>n</sup>. tht. these words are used.

P.M. <sup>a</sup>We cd. split final sentence in two. <sup>b</sup>And add words to effect of x/. Mght be better presentation.

After discussion – agreed a) but reserved b) for answer to ques.

[Exit A.L.B., S.Ll.

3. Social Investment (resumed).

Education.

H.A. Stems fr. July dec<sup>ns</sup>. on level of public investment in future years – 5% a year, wh. exceeds prospective increase of G.N.P. That £75M. p.a. is as much as we dare commit ahead. Sums seem small : but policy decisions are always taken on the margin. Red<sup>n</sup>. is always more difficult than expansion. Dangerous therefore to exceed July limits. To keep w'in them, we must cut by £90M. – 23M. on social. Hardest treatment shd. be given to housing, wh. has done well for several years : it shd. now have low priority. Prisons is de minimis. As betwn. hospitals & education : I agree some expansion on hospitals is overdue, but wd. like a cut of £2 or 3 M. Education has done well recently – high capital expenditure for the bulge & that is no longer necessary by 1960/61 : had hoped for reduct<sup>n</sup>. then in investment for educ<sup>n</sup>. other than Universities & techn. educ<sup>n</sup>. – esp. as we plan to incur so much for those 2 branches. Can't we have forward drive w'out this add<sup>l</sup>. cap. expenditure – if we are doing all this on Univ. & techn. and on the rest not actually reducing after peak of bulge. Can't M/Ed. hold it on basis of starts at £46M.? He cd. still present this as expansion. If he won't, poor chance of getting cont<sup>ns</sup>. fr. other Dpts.

- G.Ll. There is Ty. case for argument that decent amount of educ. advance is going on at that figure. But it wdn't be a forward drive, as contemplated by P.M. From my angle it is starts, not work done, that are vital. See my para. 3 – £12M. below level of 1956/57.
- H.A. But in '61 we shd. in real terms be spending 50% more than Labour did in '51.
- P.M. Fact is that many of secondary schools now are shams. Can't pretend otherwise w'out bldg. We really shd. be above £48M in 59/60, if we can say we are doing somethg. for primary & secondary. Put it as low as we can get away with.
- H.A. I wd. try to make it no less than 58/59 viz., £51M. But I can't accept that it must be "significantly larger".
- K. Perhaps £52M.
- J.M. For Scotland Ty. figures wd. mean tht. in 60/61 we shd. be doing less on primary & secondary than in current year.
- I.M. Para 5 of F.S.T. memo. Social investment is going up by only £3.3M but H.A. is trying to cut it back by £26M.
- H. Can't run Univ. and techn. expansion successfully unless [Exit H.W. schools are better than they are.
- H.A. Suggest we accept figure of £52M. [Taking £2M. off school meals & minor works.]
- G.Ll. Cdn't accept [ ] now.
- P.M. You don't need to announce that now for 60/61.

Agreed : G.Ll. and H.A. to confer on actual figure.

Hospitals.

- D.W-S. Cut of £3M. cd. only come on allocation to Hosp. Bds. Can't come on plant replacement or major schemes. It wd. reduce Bds. from £14M. to £11M. No increase in money terms for 4 years' running – despite long years of neglect and in time of rising prices.
- H.A. Overall it wd. be £27½M. cpd. with £20M to-day.
- I.M. Why not look at social investment together with the rest in October?
- P.M. May be. But w'in s. investment, we must have our priorities. And I see education as stronger runner than hospitals.
- D.W.S. I cd. get by on splitting the difference – £1.5M. "w'out prejudice".

Housing.

- H.B. Can avoid announcement of 1960/61. Will discuss with H.A.

P.M. Let us take note of these provisional concl<sup>ns</sup>. & resume discussion when we have proposals for remainder of public investment.

5. Housing Policy.

K. Will Bldg. Societies accept 5½%?

H.B. Believe they will – tho' not the 5¾% favoured by Ty.

H.A. Agree to statement (P. Conference) in genl. terms – w'out committing us to working thro' B. Societies. Then negotiate with them before Queen's Speech.

H.B. I wd. be content with that.



C.C.74(58)

3<sup>rd</sup> October, 1958.1. Foreign Affairs.

[Enter J.S.,

S.Ll.

A general lull.  
Cyprus – ready for conference, if acceptable.  
Iceland – industry are in good heart. The 2 Amb. (U.K./US) will be here next week : can consult on means of disrupting I. Govt.

J.H.

Threat of arrest on high seas. C<sup>d</sup>. R.N. shadow the only gunboat (Thor).

\* N.B. to get report on that.

S.Ll.

Mtgs next wk. of Dpts, while Ambassadors are here : report to Cab. in 10 days' time.

2. Oil Supplies.

P.M.

Two ques i) shall we increase reserves? If so, ii) how? M.'s plan wd. enable us to face interrupt<sup>n</sup>. of M/E. supplies for twice as long as now : & shd. pay insurance in sterling vice dollars.

M.

Oil cos. have spent £60 M. on improving stocks to 15 wks' supply. But outlay on increased stocks seems sensible precaution.

J.S.

H.A. cd. not consider while here. To me it seems valuable insurance – to make now when freights are low & oil is cheap. Reasonable cost in rel<sup>n</sup>. to risks. But cd. not oil. cos. carry more? That need not delay stocking in Govt. storage.

S.Ll.

Commend action taken : support proposal to do more.  
Sh<sup>d</sup>. we make it known? “V. much strengthened our pos<sup>n</sup>. in resp. of oil stocks”

M.

Can spk. of what we have done.  
Principle of increasg. stocks further by 2½ m. tons – approved.  
Method: { £10 m in existg Govt. stores : on Exchequer.  
X { Provide add<sup>l</sup>. storage at £1½ M. : potash brine.  
{ Consult with oil cos. on a) storage for another 1¾ m tons  
in juxtapos<sup>n</sup>. to their own.  
At present seek only decision on x/.

S.Ll.

C<sup>d</sup>. we ask U.S. to help – with money.

M.

Cos. are international. Am considering means of pooling with N. Americans.

H.

y/ Remember pressure during Suez for us to take into a/c our own stocks.  
Easier to w'stand that if some of oil in U.K. were held on U.S. a/c.

M.

W<sup>d</sup>. sooner try agreemt. with Canada.  
On y/ remember we got paid for it.

Proposal approved in principle.  
Ty. & M/P. to concert on method.

3. British Transport Commission.

- P.M. Two problems – a) how to handle emerging deficit b) how to present it.
- A.W. Knowledge of this has bn. kept close. Need not be disclosed before Dec. B.T.C. prefer to make earlier warning.  
Reflects success of deflationary measures.  
B.T.C. have money to end/year, but no more. B.T.C. will need extended borrowing power.  
Courses a) have our understanding, but authorise over-draft.  
b) give them more money.  
B.T.C. want to give prelim. warning : not publish our corr<sup>es</sup>.yet.
- M. Has bn. a drop in traffics. Steel is in temporary decline, but will recover in a year or so, and prod<sup>n</sup>. will be increased. Coal may be permanent change because of increased prod<sup>n</sup>. of oil. Assumpt<sup>ns</sup>. re level of coal traffic may not be justified. Country turning to oil.
- P.M. We are increasingly at mercy of Arabs vice miners.
- M. Will submit memo. on coal/oil.
- J.S. Believe drop in steel is due largely to de-stocking not to reduced demand of consumer.
- A. No : general world red<sup>n</sup>. in cap. investment. Remedy : greater freedom in investment.
- J.S. H.A. is against bank advances to B.T.C. He wd. prefer to take new borrowing powers in the Bill.  
Serious pos<sup>n</sup>. due to quite light recession. May suggest modernis<sup>n</sup>. p'mme is too ambitious.
- H.W. Not light in coal & steel industries.
- I.M. Sh<sup>d</sup>. Ty. prepare for E.P.C. appreciation of pos<sup>n</sup>. as we enter winter.
- H.W. Yes.
- P.M. We may have gone too far.
- M. E.P.C. shd. study trend of trade generally.
- J.M. ½rd. of Sc. steel workers are un/ or under/employed.
- J.S. Dec<sup>n</sup>. of Govt. on strip-mill wd. be sign of confidence in revival of steel.
- H. We want to make up our minds wtr we face a recession or wtr inflation is still main threat.

Agreed: (2) Ty. to prepare short appreciation accordingly.\*  
(1) H.W. and H.A. to discuss method of carrying rlway deficits

and presenting the problem.

[Enter E.H.

[P.M.

with a view to enabling us to decide wtr reserves are strong enough to warrant our using some to stimulate economy.]

Memo. to go via E.P.C. to Cab. in 2½-3 wks time.

Other Ministers wd. be free to circulate comments & views.

[Enter Bavins.

4. Queen's Speeches.

a) Prorogation.

Para. 2. as shown.

Para. 3. .. ..

b) Opening. Approved subject to detailed amendments.

C.C.75(58)

14<sup>th</sup> October, 1958

1. Foreign Affairs.

[Enter E.H.]

Note not taken.

2. Broadcasting : Queen's Christmas Message.

[Enter P.M.G.]

R.A.B.

Put dilemma.

**CLOSED UNDER THE**

**FREEDOM OF INFORMATION**

**ACT 2000**

B.B.C. alone can transmit to Doms. (sound). Technical ground – apart from prestige.

H. Analogy of Party Political B'casts – where B.B.C. take, tho' both carry p'mme.

Ch.H. Xmas p'mme, historically, was world-wide sound : that is good reason for limiting that to B.B.C. Avoid decision of principle on all such occasions. Leave over until next year ques wtr I.T.A. comes into television of Opening of Parlt.

P.M.G. I.T.A. won't press it v. strongly – Xmas b'cast recognised as B.B.C. invention. Will fight the principle on other occasions.

Agreed : restrict this b'cast to B.B.C.

[Exit E.M.]

3. Reserve Forces Bill.

[Enter C.S.]

K. As in memo.

D.S. Sure my other proposals are inevitable, but ready to postpone them for a year.

P.M. W<sup>d</sup>. also like to be sure we shall be ready in H/C. debates in spring to answer criticisms on regular recruiting.  
Will M/D. submit memo. (to Cabinet) on ques wtr any leg<sup>n</sup>. on this cd. be left over to next Parliament.

S.Ll. Hope memo. will include facts on wh. D.S. based his B'pool statement.

D.S. Will submit to Cab. If they are not satisfied, Ctt<sup>ec</sup>. can review it.

J.H. Some decision will have to be taken in spring '59.

I.M. There will be some controversy over limited Bill – accentuates diff<sup>ec</sup>. betwn. man who is just in N.S. and the one who isn't.

R.A.B. Ctt<sup>ec</sup>. to consider also C.D. bounty.

[Exit C.S.

4. Queen's Speeches : Prorogation.

Approved subject to amendment.

5. Queen's Speeches : Opening.

R.A.B. Leg. programme is over-full. 4-5 Bills over normal time for a full session. In add<sup>n</sup>., may have to have a short Wolfenden Bill : cars at elections Bill. W<sup>d</sup>. take us into August.

C.C.77(58)23<sup>rd</sup> October, 1958

1. Emergency Powers Bill. [Enter O.G., E.H.]
2. Cyprus : Human Commission.
3. Steel : Location of New Works.
4. Economic Situation.

H.A.

3 priorities : sterling : internal price stability : employmt. On first 2 we have made progress. Demand infl<sup>n</sup>. squeezed out tho' risk of cost infl<sup>n</sup>. persists. Risk of sliding back into infl<sup>n</sup>. is less than 12 mos. ago. Therefore we can afford to concentrate on empl.

Assessment. Industrial Prod<sup>n</sup>. running down slowly & likely to continue for 3 mos. No sign yet of up-turn. Consumer exp<sup>'re</sup> 4% higher than a year ago & wage increases continue. Forecasts of unemplt. in Jan/Feb. – no reason to reduce : 600.000 by Jan. Ind. cap. exp<sup>'re</sup>. above last year, but likely to drop next year. Total priv. inv., now at record, may drop a little. Pub. invest<sup>mt</sup>. : planning for rise of £75 M. Exports are dropping – now 4% below last year & likely to continue to fall. But confidence is strong & St. Exchange high.

Target : ensure that recovery after Xmas is larger} faster} than seasonal rate.

Avoid in investment, commitments wh. will increase inflationary pressure in '60 and beyond.

Steps already taken. B. rate down : credit rest<sup>ns</sup>. relaxed : C.I.C. control relaxed : h.p. rest<sup>ns</sup>. reduced : another £30 m. for short-term publ. cap. exp<sup>'re</sup> and ?750 add<sup>l</sup>. new houses.

What more? a) Ass<sup>ce</sup>. to exports. Comm. assistance loans offered to Asian Doms. will be linked to U.K. exports : and will open way to fresh orders. More appl<sup>ns</sup>. can be considered.

Also : U.K. initiative in suggestg. to some Dom. & Col. Govts & some foreign loans conditional on quick orders for exports – e.g. steel and heavy cap. goods. And = easier terms fr. E.C.G.D. to help us to compete with G. and U.S. &

b) Investment. Further red<sup>n</sup>. of B. rate. Publ. investment : total in 58/59 will be £35 M above Thorneycroft's ceiling – tho' not precisely by means giving £30 M. For 1959/60 we can bring fwd. fr. followg. year, & include some new short-term work, and add another £50 M. [Add<sup>l</sup>. emplt. 50/70,000]. Total for that year wd. then be £125 M : increase of 8 or 9% over last year.

c) Consumer expenditure. Already at record level & some industries mtg it are fully engaged : must not overload them, or prices will rise. Prev. relax<sup>n</sup>. of h.p. led to increased exp<sup>'re</sup>. The rest cars, T.V. etc.) is becomg. ineffective : control mght be lifted.

C.C.77(58) (cont)23<sup>rd</sup> October, 1958

But cd. be done w'out much danger.

If more needed, some P.W. credits cd. be released. That mght be dangerous, as plainly anti-slump measure. But quickly done & non recurring. Leg<sup>n</sup>. needed, to discriminate.

- P.M. Priv. investment?
- H.A. Can't stimulate w'out Budgetary measures. But unlikely to drop.
- D.S. Govt. expenditure? Am I to reduce, while Ty. stimulates?
- P.M. Must have clear mind – esp. in rel<sup>n</sup>. to possibility of reducg. tax<sup>n</sup>. in Budget.
- I.M. Unemplt. up by 38.000 to 514.000 or 2.3%. In all regions, esp. in Ldn, West & Scotland. In Jan., at peak, expect 2.9% or 625.000.  
Of 38.000 as many as 35.000 odd are among perman. unemployed.  
Sept/Oct. a bad period : 22.000 wd. be normal in this period.  
Problem is to check this rise to peak.
- M. H.A. has dealt with some of my anxieties. Don't think we can do more than he has in mind. But wd. like these measures to be introduced. I take more gloomy view of outlook than he.
- J.M. Concerned at drop in steel. C<sup>d</sup>. N.C.B. help by restoring orders.
- M. Am considerg. that with steel industry.
- J.M. Hard to tell how much of this is due to de-stocking, wh. w<sup>d</sup>. be reversed by renewal of confidence.
- H.N. Ship-bldg. Owners are gloomy re freight market & unlikely to increase orders. Ditto for tankers.  
Think therefore we shd. act on basis of a rather gloomy view.
- H.B. Housing. Extra 750.000 was not to be spoken openly about. P.W.L. B<sup>d</sup>. rate was still 6% & l.a.'s under inst<sup>n</sup>. to p'pone unnecessary expenditure. Many l.a.'s are still acting on that basis & delaying starts. I wd. now like to send further & franker circular to l.a.'s. And if P.W.L. Bd. rate were also reduced things wd. move quickly.
- R.A.B. Approve measures a) to c). Leave aside for Budget any direct increase of consumer expenditure.  
But doubt if a) to c) will check trend.

C.C.78(58)

24<sup>th</sup> October 1958Economic Situation.

[Enter E.H.]

- D.E. Assessment – broadly in accord with H.A.  
Remedies – not sure we shd. insist too sharply on confining ourselves to measures certain to provide quick unemplt. W<sup>d</sup>. prefer to concentrate on productive measures. W<sup>d</sup>. class housing as non-productive & on that account wd. prefer education – and transport both of wh. wd. break new ground & look less like a mere reversal. Also a mistake to send circular to l.a.'s relaxing earlier restriction – whistle blowing planning – more selectively by stealth, so far as possible. One act on consumpt<sup>n</sup>. : end. h.p. control (on cars, radio & h'hold goods). Motor industry wd. still insist on deposits.
- H.A. W<sup>d</sup>. increase h.p. debt by add<sup>l</sup>. £60-70 m. p.a.
- D.E. Yes. But believe much of this wd. be borrowed anyhow. And h.p. abolition wd. have good confidence effect – esp. if done during Motor Show.  
Steel is key to weakness of economy. (i) Largely due to de-stocking. Major factor in this is oil cos., who have bought nil for months. Suggest we move them to start buying again. W<sup>d</sup>. affect market, v. quickly. (ii). Overseas sales of steel. Loans (ECGD credit) wdn't bite quick enough. Better to go thro' orders for cap. works & see wtr steel content cd. be expedited. E.g. piles for harbour schemes (C.O.). Ditto for rlway equipment. Mills & I will start this (Tues.) at steel-makers' end. Lorries and buses oversea demand can be stimulated. Turn enquiries into firm orders.  
We can also try loans under s.3 of E.C.G. Act.
- H.B. Not makg. large claim for re-vitalising housing drive. Modest increase only  
Circular : if H.A. wants l.a.'s to get on with short-term work, we can't expect them to do so w'out further guidance. Wish to issue a suitable circular, after consult<sup>n</sup>. with H.A.
- H.W. Heavy vehicles : and steel sections & pipes. Unless hope of revival is seen there, firms will begin to shed labour. Early action is essential.
- G.Ll. Diff. to get balance just right. But more damaging if unemplt. rises too far. Momentum may be lost – so there is an econ., as well as pol., risk. I therefore favour rather more expansion.  
Education. The flexible element is small works. Large undertakgs can't contribute w'out incurring longer-term commitments.
- K. We know how much we suffer politically from rising prices. But we know too how damaging a rise in unemplt. may be. – it wd. limit freedom to choose a date for election.  
Black-spots. We need an organisation (or a man) to vitalise Dpts. in rel<sup>n</sup>. to particular areas.  
Can we ignore consumption? On Keynesian doctrine have we not reached the moment for action on that also?
- H.A. K. wd. never have put 2.5% as the proper point for stimulation of consumpt<sup>n</sup>.



- J.H. Action to win election in '59 wd. serve us ill if it created inflation in '61. Don't let us throw away results of past policy.  
Is it not black spots we shd. concentrate upon?  
Key need is to restore confidence in industry. In F.B.I. feeling better already than 3 mos. ago. Favour therefore action on lines sugg<sup>d</sup>. by D.E.
- D.S. Pol. issue. Apart fr. electoral consid<sup>n</sup>., we shd. not rush this so much. 2 main dangers : local patches of v. high unemplt. And foundation wh. they will give for prophecy of worse to come.  
Must therefore act to stimulate emplt. – with least danger of recurring infl<sup>n</sup>.  
Bldg. – slums, old people, new towns. Schools – avoiding long-term commitments. Ty. cd. review Services bldg p'mmes – wd. help with recruiting. cf. Service orders for textiles a few yrs. ago. Heavy vehicles – wd. wish to accelerate Serv. p'mmes.  
Must I go on causing unemplt. in def. industries – to get my exp<sup>'re</sup> down.
- H. If we reached 3% in Feb. and returned to 2% by July, we shd. be about right.  
Don't panic – e.g. on swimming baths.  
I'm more worried about longer-term. U.S. recovery may not be firmly based & producer countries will be poor buyers.  
I prefer B/T. and M/T. measures to “public works”.
- I.M. Don't think it will go beyond 3.1%.  
Measures proposed won't arrest trend before end/year. And doubt if we shd. drop below 500.000 at any time in 1958 save July/Aug.  
\*/ DATAC. 170 appl<sup>ns</sup>. : only 2 approved. their attitude has bn. v. strict.  
Important to seize & keep initiative over genl. problem.
- H.A. Must remember prices. That was previously priority No. 1. politically. Mustn't imperil what we have achieved on that 1<sup>st</sup>. priority.  
If we move too much, & inflat<sup>n</sup>. recurs, we cdn't check it quickly.  
“Loss of momentum”. Remember we had too much, and it caused a b/p. crisis.  
And that can develop v. quickly.  
Unemplt. No particular figure wd. be fatal politically – trend is more important.  
Tax reductions. Prospects aren't good, as Estimates continue to rise. And roads are above the line – as is defence. Can't see tax reductions unless present Estimates for latter can be reduced.  
Further future – 1960. Prod<sup>n</sup>. & consumpt<sup>n</sup>. shd. by then be increasing again – but not if world trade continued to decline.  
Initiative. We must show we are takg. proper steps to counter trend, esp. in investment.
- P.M. Valuable discussion.  
Diagnosis. Broad agreemt., with diff<sup>ces</sup>. of emphasis. Ty. memo. fears inflat<sup>n</sup>. in '60. Some of us (inclgd me) fear this may be optimistic – and tht. we may be on a down-turn in trade. H.A. is between it & us. My hunch is tht. there is risk of serious down-turn.  
  
\*/ Report on this from H.A. to P.M.  
  
But none wd. go bancon either view.  
Remedies – consumption : investment (private & publ.) : lending to our customers.

Whatever measures we take must not appear to be a reversal of policy. but must increase industry's confidence in Govt. They can do so much more than we.

Consumption : measures act. v. quickly.

[Budget : must be careful of measures above the line. C<sup>d</sup>. we re-cast division above and below in next Budget? In this new situation.]

a) Propose we announce end of all h.p. restrictions – (tho' power shd. be retained). No ground, in present circs., for interfering with contract betwn. consumer and producer. W<sup>d</sup>. like that announced pre-debate.

b) Purchase tax. £15 M. on [heavy] vehicles as a whole but only £5 M. heavy lorries & buses. Will Ty. consider removing the £5 M.

c) Post-war credits. Not above the line : but leg<sup>n</sup>. needed for discrimin<sup>y</sup>. action. Consider wtr £15-18 M. cd. be restored.

\* I wd. press a) and ask for b) to be considered favourably and c) considered.

Investment : Bank rate to be considered.

Investment allowances – can't be done before spring – don't want a Budget.

Avoid rigid formula for Dpts. Ask them what they can do, and select (Ty) those wh. produce quick results.

We can spend more below line because savings are better.

Loans to Customers. Best but slowest.

Organisation. Whitehall must understand what Ministers want.

We need therefore (a) a clear statement of economic objective, to guide Dpts.

(b) plan of action – who is going to do what.

(c) progress reports on how we are going.

Black-spots – we thght earlier in terms of a Slattery. Let us consider that again.

Agreed : abolish h.p. restrictions at once : announce Mon.  
review position in 2 weeks.

C.C.79(58)30<sup>th</sup> October 1958

1. Egypt : British Refugees. [Enter E.H. : H. Millar.

H.A. Bank's offer to negotiate settlement may lead to sol<sup>n</sup>. But can't yet tell & want somethg. to hold pos<sup>n</sup>. temporarily – with refugees and in H/L.

H.M. No escape from doing this : tho' doesn't improve our bargaining pos<sup>n</sup>. with E.

Hail. Have promised in H/L. a limited extension. Debate in Nov. 11<sup>th</sup>. May have thereafter to ask for more.

Agreed : announcement to be made in both Houses.

[Exit H. Millar.

2. Foreign Affairs.

a) Cyprus.

P.M. Gks. can't face the conference because Makarios has bn. criticised by others for abandoning Enosis. False statement fr. Gk. F.O. W<sup>d</sup>. be useful therefore if documents are publ<sup>d</sup>. This is now agreed. We will give summary in debate & lay W. Paper with texts if that is asked for.  
At least N.A.T.O. now realises we have bn. reasonable.  
Continue to spk. of it calmly.

b) Free Trade Area.

D.E. Fr. pos<sup>n</sup>. now so isolated that U.S. might weigh in.

P.M. Must discuss with Maudling on his return. No bargain with de G. – this v. his tri-partite plan.  
Political settlement is only way out.

3. Parliament.

R.A.B. Business for next wk.  
Debate on Address will be completed on Tuesday.

P.M. Good effect of having had no spill-over.

4. Employment.

D.E. Concerted campaign to bring deput<sup>ns</sup>. from 'black-spot' areas. – or allegedly black. Do we see all, or none, or select?

I.M. Begin by seeing them – & see how it goes. Divide work betwn. Dpts. concerned.

P.M. Don't refuse.

5. Internat<sup>l</sup>. Labour Organisation.

Approved.

6. Egham : Caravan Site.

- H.B. Injunction obtained. Sites Co. are in contempt if they don't comply. Seen l.a.'s (C.O. & Egham). Local people are enraged : crooked firm : squatters. Egham won't give them another site.  
Of original 150, 90 have left. Remainder are trying to make trouble and won't look for other sites.  
Have urged l.a.'s to work out solution. At present no site in Surrey to wh. they can go with caravans.  
Egham won't evict – certainly not for 2 wks. & prob. not before end/Nov.  
But the co. have now gone back to Cts.
- K. Risk of mandamus v. my Bailiffs for not carrying out orders because I have told them not to use brutal methods.  
Cdn't l.a.'s take a more constructive line.
- Att.G. Has continued since '55 – moving from site to site as planning permission refused. LCJ. gave injunction to operate in Aug. Appl<sup>n</sup>. to Donovan J to extend : he gave up to Oct. /Nov. 5/ date & exp<sup>d</sup>. view they were trespassers. L.a. ought to move them : entitled to use force.  
Trailer Co. & land-owner are now in contempt. I propose to move for their attachmt.
- K. They will then say in defence tht. La. Ch. hasn't helped them,.
- H.B. Site at Windlesham offered for 28 days : Bagshot has asked me to prevent this under Planning Acts.  
x| Am considerg wtr we cd. get local enquiry – where cd. they go. But I don't want to seem to be interfering with course of justice.
- Att.G. No obj<sup>n</sup>. to x/.

Agreed : H.B. to proceed as at x/.  
H.A. Ct<sup>ee</sup>. to keep under review.

C.C.82(58)

25<sup>th</sup> November, 1958

1. Parliament. [Enter E.H.]
- R.A.B. Business for next week.
2. Ghana.
- P.M. No P.Q.'s yet on Order Paper.
- H. But some are likely : prs. wise to volunteer a statement. Clear that Nkrumah has not considered any implications.
- P.M. Less discussion on answer to P.Q. Let us get a friend to table one. For answer Thursday.
3. Parliamentary Procedure.
- R.A.B. Ch. Whip and I will give ev<sup>ce</sup>. Only major chance of devolution is to allow Finance Bill to be considered in Standing Ctt<sup>ce</sup>. Shall ask Ctt<sup>ce</sup>. to consider this on merits.
- [Exit H. Millar.]
4. Integration of N.A.T.O. Air Defence.
- D.S. Our national position is safeguarded by fact that U.K. will be a geographical area & we shall therefore retain separate command under SACEUR. Also I propose to make in advance reservations in 9(a).
- P.M. Concerned at para. 2(a) of Annex. Remember French request for fighter squadrons in 1940.
- H.A. i) Para 2(b). "Air defence" is wider than defence of deterrent.  
 ii) What of role of fighters in U.K. in support of squadrons overseas.  
 iii) Must reserve in our own hands size & even existence of F. Force.
- D.S. Para (j) meets (ii). Para (f) meets (iii).  
 I wd. have wished to amend para 2(a) but N.A.T.O. document and difficult to touch it.
- P.M. We have assigned ground forces and T.A.F. But assigning our home defence is a different matter.
- D.S. Saceur wants to re-organise on Continent in peace-time to build up an effective integrated defence system.
- P.M. Will recall the great controversy of 1940.
- D.S. Let us confine 2(a) to war, and add a para. indicating that joint planning for that purpose will be undertaken in peace.

Agreed : proceed as at x/.

[Exit H.Millar, D.S.  
Home

5. Social Investment : Education.

- G.L.I. Want early publ<sup>n</sup>. Hope colleagues will agree.
- J.M. Want to mention a) indefinite deferment of trained teachers, tho' this is not mentioned in English Wh. Paper.  
b) want to put forward new version of para. 21, which I will discuss with M/Ed<sup>n</sup>.
- H.A. Para. 23 – a sentence was to be deleted.
- J.M. I wish to do so.
- I.M. [esp. 15-18] Paras 13-21 (esp. end/15) of Engl. W.P. is best defence of Labour policy I have yet seen. Also 16 : M'sex policy. 17 : hope we wd. never favour abolition of old grammar school.  
If this is right policy, it means that Socialists are right.  
Leave out paras 13-21 altogether : and make the memo. factual.
- H.W. I agree – entirely.
- P.M. Needs revision to avoid sentences which, taken out of context, cd. be misrepresented.
- Agreed : R.A.B. and I.M. to assist in revision of these paras.
- R.A.B. W<sup>d</sup>. also like to stress principles of 1944 Act, wh. are misrepresented by Labour policy statement.
- D.E. Para. 23. I regret this change. Original circular on minor works in 1957 – gt. success was freeing l.e.a. from havg. to seek sanction of M/Ed. – stiffened their sense of responsibility.
- H.A. Ty. have raised ceiling. But then must be an over-all limit.
- P.M. Good – clear – papers. Sh<sup>d</sup>. make an impact – as moderate, empirical and common-sense. Hope, however, it will be properly put across to Press & therefore boosted by Party organisation.  
But i) Point made by J.M. at a) above applies to England too. Sh<sup>d</sup>. therefore be mentioned in English W. Paper too. Agreed.  
ii) Para.32 “further help for churches”. Involves leg<sup>n</sup>.  
What will you say?
- G.L.I. Intend to enter into negot<sup>ns</sup>. with the churches.

6. Horticultural Tariffs.

- J.H. Five appl<sup>ns</sup>. made. I supported two. All have bn. rejected – by E.P.C. An announcement of this will affront industry. Are Cab. willing to approve my two

increases – tomatoes & cut flowers. If not, other steps will have to be taken : & we ought to say so. But it wd. involve new Exchequer money : and it wd. be new ground, and open to incalculable pressures. Tariffs may well be cheaper.

D.E. Can't be proved that reduction in earnings is due to imports. It is due to inefficiency and to increased costs (e.g. anthracite).

H.A. We have accepted principle of support for hort. as for agric. – and have said tht. our method will be tariffs – appl<sup>ns</sup>. being considered on merits. On econ. grds. we have had to reject all these 5 appl<sup>ns</sup>. Increase in costs doesn't justify increase of tariffs – unless increase has bn. relatively larger than that of importers. Another form of support. Must consider, but shd. avoid commitment. C<sup>d</sup>. do somethg. on potash subsidy. But anything wh. wd. support extension of glass-house industry wd. be v. dangerous – stimulatg. uneconomic new prod<sup>n</sup>. We must have study of the industry before committing ourselves to further help. Some sections are doing v. well.

R.A.B. I can't defend E.P.C. decisions. Pledges were specific.

C.C.83(58)

4<sup>th</sup> December, 1958

1. European Free Trade Area. [Enter E.H.]

R.M. Erhardt's visit today. Propose to listen & report.

P.M. Are we to accept negot<sup>ns</sup>. betwn. 6 and 11. Or are we to insist on OEEC as forum.

R.M. At least it is for OEEC to say wtr another forum is desired.  
Erhardt comes to see me as Chairman of the 6 : to see other Ministers as a German Minister.

2. Indonesia : Supply of Arms.

S.LI. We have refrained fr. supplying major items of equipment (ships & Gannet aircraft) because of views of Dutch and Australians – for fear of attack on D.N. Guinea.

P.M. Sh<sup>d</sup>. we re-consider our genl. policy : as other nations (even free world nations) wd. be willing to supply. We can't in fact control situation : why shd. we cut off our nose to spite our face.  
M'while I propose to give way on Gannets.

Agreed : concede Gannets.  
review ships qua general policy ( : Arms W.Party).

[Exit S.LI.]

3. Parliament.

E.H. Business for next week.  
Xmas recess : 18/12 – 20/i. Former date to be announced to-day.

4. British Aluminium Company. [Enter Erroll.  
[Enter RA.B.]

H.A. I am shareholder in T.I. Think it better not to take part in discussion. P.M. has kindly taken mtg. on my behalf. W<sup>d</sup>. be better if I also made announcement – it is a large issue.

R.M. i) Qua getting dollars, there isn't much in it. T.I. a little better.  
ii) Qua interests of Co. as undertakg., Alcoa is better because brings immediate increase in capital.  
iii) Qua control, under Alcoa deal we shd. lose effective control. Under T.I. control at 51% wd. be frozen in Br. hands.  
From Exchange Control angle our duty is to consider only i) and iii), ii) is a more genl. matter of interest to Govt.  
Directors of Co. have entered into contract wh. is binding unless we w'hold consent. So it is not open choice.

Erroll. Stedeford will ask for mtg. of shareholders if Alcoa plan is allowed to go fwd.



- M. Mght it not be good thing for that to happen – w'out any Govt. statement.
- K. Sympathise with that. But under E. Control Act. s 30 – consent of Ty. is required for transfer of control from a Br. company.  
Price under contract = 60/= Price under T.I. offer wd. be 78/= . Second price hasn't bn. put to shareholders. Sh<sup>d</sup>. we not w'hold consent to first deal until shareholders have had chance to consider second.
- D.E. Portal shd. circulate his letter to shareholders (advocating Alcoa [Enter J.H. proposition). We shd. defer decision m'while.
- P.M. But they have made contract. Why consult shareholders now?
- M. If we frustrate this contract, how hope to attract U.S. investment.
- P.M. And what about our freedom of investment in oversea countries.  
Portal wants to justify his action to shareholders.  
Stedeford is trying to force a mtg. of shareholders.  
Can we not therefore take the line tht. we won't take a decision for a few days.  
Avoid hurried decision. Indicate to Portal that it wd. be useful if his lr. were published.  
Case for delay : Alcoa is sounder economic proposition : good that public discussion shd. bring this out : it wd. strengthen Govt.'s hand in taking the sounder but less popular decision.

Agreed : let both sides know (thro' R.M.) that we are not going to take a decision in a hurry on facts at present before them (and before shareholders and public).

5. I.M.F.

- H.A. Renewal of our stand-by & repaymt. of loans.  
In Dec.'56 we got approval to draw \$561M and stand-by for a further amount \$739 m not drawn. Latter expires 31/12. Do we ask for renewal? Gt. convenience to have it. But, as our reserves have strengthened, it may be questioned. Mtg. 21/12. Many countries will think sterling is now strong enough to stand full convertibility. If we seek renewal, we shall be asked our intent<sup>ns</sup>. on convertibility. And chance of getting it will be improved if we promise further move twds. c. during period of further stand-by (12 mos). Jacobson & Anderson both think we can now stand c.  
x| Re-payment : Due to complete betwn '60-'61. (?) But assumed we cd. repay when we cd. And we shall be expected to do better than minimum compulsory date. Propose therefore to offer lump-sum of \$280 m. before 1.4.59 and balance in monthly instalments thro' 60-61. This shd. help us to get the stand-by.
- R.A.B. What do we promise on x/.
- H.A. Quoted from minute to P.M. – incldg. appendix.
- P.M. If we say that, we shall be virtually committed to c. Is that wise?
- H.A. Committed only if things went well.

- P.M. And if they went ill cd. we not ask for another stand-by. Do we really want renewal of stand-by on that basis?
- D.E. Also involves additional prov<sup>ns</sup>. for repayment. Does that not suggest we don't need stand-by?
- P.M. Yes – we don't really need stand-by for purposes of c.
- H.A. Cheapest cover v. any adverse movement.
- R.M. If you don't ask for renewal of standby, people will assume you don't intend to become c., & that will damage credit.
- H.A. Will increase our credit if we accelerate repayment but get renewed standby.
- RAB. I agree – & support that course. But proviso re c. – I'm content on that : but worried at wording on non-discrimination. Don't want too much of latter.
- H.A. Mght. omit reference to non-discrimination.
- P.M. V. well : let me see final text.

[Exit Erroll., E.H.]

6. Pensions.

- R.A.B. Recommend no major change. Explained details – as in memo.
- H.A. Increment for continuing at work – needs some further thought. This wd. cost £20M. by 1980. Subject to that, agree with remainder.
- B.C. This is balance to change on earnings rule. I attach importance to it. W<sup>d</sup>. like further discussion in L.P.S. Cttee., if Ty. dislike it.

7. Cotton Imports.

- D.E. Col. Claig (H.Kong Chairman) has done well : but has put up new points for consid<sup>n</sup>. by Cotton Bd. Two points still out-standing :-  
i) towelling : likely to be overcome.  
ii) escalation : Lancs. will refuse this proposal.  
They must be able to say they have more stability, in order to facilitate re-organisation. Indian agreemt. hasn't got prov<sup>n</sup>. for escalation : & they will re-open that if it's included in H. Kong agreemt.

C.C.84(58)

10<sup>th</sup> December, 19581. Integration of N.A.T.O. Air Defence. [Enter E.H.]

P.M. Recalled earlier discussion. Have seen Norstadt, who understands our diff<sup>ies</sup>.  
Sought a formula – tels. to and fro' Roberts.

D.S. New formula. We shall still assign our forces to Saceur in peace & war. That is inevitable : speed & need for integrated control. But (Annex) Govt<sup>l</sup>. safeguards are clearly stated.

Approved.

2. Parliament.

R.A.B. Business for next week.  
Believe Opp<sup>n</sup>. will ask for debate on Cyprus – tho' H.G. knows that it wd. be better to avoid it.

P.M. We can refuse it.

A.L.B. Might do them more harm than good.

3. Obscene Publications Bill.

R.A.B. Bill cd. be amended in Ctt<sup>ee</sup>. But ought to be dicussed first on 2<sup>nd</sup>. Rdg.

K. Also – differing views among Ministers on substance – as reflected in my Ctt<sup>ee</sup>.

R.A.B. Don't wish Govt. to appear to be obstructing : much feeling among intelligentsia and publishers in favour of amendg law.

I.M. Can't give Govt. time w'out upsetting promoters of other Bills.

R.A.B. x/ We shd. make it clear that we want it discussed in H/C. in Private Members' time : but block this week on ground there isn't enough time for a proper discussion.

P.M. x/ mght be made clear on Business Statement next week.

4. Gas and Electricity Borrowing Bill.

M. In '54 Bill on el. and gas borrowg. Proposed to do same again. But gas borrowg. not needed before '61. H.A. wd. prefer p'poning gas part of leg<sup>n</sup>. I favour going on with whole picture – on basis of getting auth<sup>y</sup>. to borrow tho' not immediately needed.

H.A. H/C. dislikes being asked for auth<sup>n</sup>. far in advance. M/P. point cd. be met by explaing. gas pos<sup>n</sup>. on this Bill, tho' limitg its prov<sup>ns</sup>. to electricity.

RAB )

- E.H. ) Leave it out.
- R.M. Logical to deal with both together – we are supposed to co-ordinate them.
- H. Politically, better to omit gas.

Agreed : State full picture but seek powers only for electricity.

5. Foreign Affairs.

- S.Ll. a) Cyprus. U.N. debate was v. satisfactory. Skilful handling by us. U.S. support at critical time, on instruct<sup>ns</sup>. from W'ton.
- b) Iraq. Can't be sure what has happened. Not certain this was Egyptian plot.
- c) Europe. 4-Power Mtg. on Sun. on Berlin. On Mon, mtg of O.E.E.C. NATO begins on Tuesday.

On Berlin, G. Govt. are satisfied with my statement in F.A. debate.

x| Our line, vis-à-vis Russians, shd. be tht. we can't discuss Berlin in isolation but  
| only as part of wider ques of G.'s unity.

- D.S. y| Want 3 Power study of action needed in a blockade of Berlin – mil. and civil.  
Hope this will be borne in mind.

- P.M. Expects report from H.A. next week, in light of OEEC discussion – so tht. Cab. can decide our response to action of Messina Powers.  
On Berlin, we can prs. afford to wait a little. Thereafter, our policy shd. prob. be one wh. has some plan and appeal. Stressing x/ and linking it with idea of Summit mtg.

- S.Ll. W<sup>d</sup>. advise going slow on arrangmts. W<sup>d</sup>. not favour y/ yet.

- P.M. Let G. remain doubtful for a time. G. can afford to supply Berlin themselves.

6. Defence - Man Power Policy.

- D.S. No reason to fear that we shall be unable to carry thro' our policy of ending N.S. Act.

- P.M. I had thght earlier tht., if this was not clear, it wd. be honest to pass leg<sup>n</sup>. before demitting power.

- D.S. No reason to modify policy. Recruiting has gone better than we hoped.

- A.L.B. Hope there will be chance of discussing later wtr we need larger forces. – w'in limits of Regular recruiting.

- S.Ll. This memo. allays my earlier fears.

- I.M. Certain now there is no risk tht. policy will fail.

7. Malta.

A.L.B. Seeking formula promising “Dominion status” – or not excludg. it – if Malta became viable & our defence needs change.

H. “Self-govt. w’in Commonwealth” is only safe phrase.

P.M. Be careful about formula. What we mean is Singapore model.

A.L.B. Object : to get some allies in Malta.

Agreed : A.L.B. to consult H. on terms of formula. and consult Cabinet, if anything is to be said.

A.L.B. Singapore won’t satisfy them : they have had it for years, and don’t like comparison with Asiatics.  
May be that this is a futile exercise.

P.M. Rely rather on infinite capacity for flexible arrangemts.

8. Cotton Imports.

D.E. Not going well. H.K. Insistg. on escalation. Also askg. for something on towelling.

A.L.B. Is there v. much between them? H.K. fear is tht. whole world is ganging up v. them. As we have agreed on total figures & a carry-over : can’t we avoid expressing it in terms of escalation by relying on carry-over. Cdn’t Lancs. accept that?

P.M. V. critical situation. Seeing Rochdale tomorrow.

D.E. If you accept escalator for H.Kong, you will lose Indian agreement.

P.M. Seek a formula using carry-over vice escalator.  
And get Rochdale to put that to Lancs. –  
Cabinet must then decide, before Xmas, wtr we abandon all attempt to impose sanction on Colony.  
e.g. Warn H.K. Govt. that we shall impose a settlement.

9. Coal.

H. C<sup>d</sup>. we have a report? Lanark pit : being closed now – after being scheduled for re-developmt. and actually modernised last year.

M. Have met H/C. Sc. Ctt<sup>ec</sup>. : seeing Beaumont.

J.M. Want certainty about it.

M. Can’t while N.C.B. are discussing with Unions. These are at present proposals.

C.C.85(58)

16<sup>th</sup> December, 1958

1. Parliament. [Enter E.H.]

R.A.B. Business for week after Recess. Form of motion on Education White Paper. Prov<sup>n</sup>. to be made for debates on European Free Trade & Cyprus.

2. Government Information. [Enter J.S.  
[Exit J.S.]

Note not taken.

3. Penal Reform. [Enter Att.G.]

K. What about social efforts – playing fields etc.,

R.A.B. Propose Conference (+ Press release) with Churches, social organisations etc., Will concert it with M/Ed<sup>n</sup>.

G.Ll. Experience in Soviet Union. W<sup>d</sup>. wish to consult Lady Albemarle.

R.A.B. Will put a plan to P.M.

Hail. Work – as a means of reform. Are there enough facilities?

R.A.B. Have made some progress – but have run into trouble with T.U.'s. New industrial adviser, appointed.

J.H. C<sup>d</sup>. present<sup>n</sup>. be improved?

4. Street Offences Bill.

Note not taken.

5. Obscene Publications Bill.

Note not taken.

6. Kenya.

A.L.B. Witness in Kenyatta trial has sworn affidavits about circes. in which he was bight to give evidence. I can't avoid an enquiry into this. Must announce before Parl. rises.  
Necessary to put this into perspective.

K. V. dangerous field to open.

A.L.B. Payments were made to witnesses by police.

UNCLASSIFIED

P.M. Big risk to run into. Can't you say : despatch only just received.

UNCLASSIFIED

C.C.86(58)

18<sup>th</sup> December, 1958

1. Cyprus. [Enter E.H., A.N., & Newt.

P.M. Message from S.Ll. – both Gk. & T. Foreign Ministers urging reprieve of 2 men under sentence of death. Promise that they might to-day produce agreed proposal for settlement.  
This was communicated to Govr. In light of it we decided to commute.

A.L.B. Have no doubt this was right.  
But Govr. now wishes to announce that he took his decision in hope of renewed negot<sup>ns</sup>. with T. and G.

P.M. Can he not state officially only that he has commuted. And reasons, as background.

Att.G. Any precedent for giving reasons?

A.L.B. No.

H.A. V. dangerous precedent.

R.A.B. Deprecate interference with justice for pol. reasons. I cdn't agree. But not clear wtr I need to agree.

P.M. It is not.

R.A.B. Therefore I strongly deprecate any explanation of reasons.

Agreed : Govr. to be instructed not to give any reasons.

2. International Whaling Convention.

J.M. A no. of international agreemts need to be made before Convention becomes effective – on 1<sup>st</sup>. June. Japan coming in : ratification : agreemt on sharing 80% of the catch. Br. industry want to give notice of w'drawal now in case this shd. come off : if it doesn't, we cd. come in again. We wd. make it clear tht., if Ldn. agreement were concluded, we shd. stand in again.

Att.G. No gt. harm in keeping foot in door.  
Diff<sup>y</sup>. = effect on Iceland dispute & Law of Sea : para. 12.

J.H. I sympathise. Too hard to get across our reasons for notification. We took initiative in getting Ldn. Agreemt. – hard now to back-pedal so soon. Unemplt. risk to only 200 men.  
Likely that Norway will w'draw. Then it will be easier for us.

HA. In view of example we have set in these matters, it wd. be unwise for us to take initiative in w'drawing.

K. We cd. assure industry tht., if Agreement did not come off, we wd. w'draw from Convention a year later.



Agreed : no notification this year of w'drawal – unless Norway w'draws.

3. Iceland Fisheries Dispute.

P.M. At sugg<sup>n</sup>. of Norway we have suggested to Iceland that, pending a conference, we cd. agree tht. we wd. not fish w'in 6 mile limit if they wd. not molest us between 6 and 12 miles.

Noted.

4. European Free Trade Area.

H.A. Paris discussions – in O.E.E.C.  
Genl. support for continuing negot<sup>ns</sup>. for a free trade area.  
On modus vivendi – initial disagreement and row. Fr. protest re negotiations under threat. V. gradually all, in sequence, expressed regret at Fr. attitude. Fr. ultimately admitted tht. for them, discrimination was essence of Rome Treaty. Best we cd. do was to adjourn until 15/1. Study m'while of consequences of action of Six and of Br. proposal. We undertook to take no positive action before mtg on 15/1.  
V. unhappy. But a necessary stage was to bring it out that French are isolated..

D.E. We have seized initiative. Much sympathy with our view. We must get out precise statement showing what our proposals mean. We can't have many exceptions : must open as many of our quotas as we can. Net effect to our trade will be good.

R.M. Final mtg. with non-Six. They are solid with us. They will seek to influence U.S. opinion.  
Documents now de-restricted. Am therefore working on Wh. Paper.  
Growing feeling among Six tht. some discrimin<sup>n</sup>. v. rest of Europe is essential to their system. Feel we ought to challenge that – in a note to Six Powers.

H.A. Sh<sup>d</sup>. like to consider that. For next move will be crucial.

5. Sterling : Convertibility.

H.A. My discussions with French after 1<sup>st</sup>. day. Increasing internat<sup>l</sup>. pressure to go convertible – unifying 2 rates – esp. from IMF. and Germany. B/E. favour this. I was about to recommend it when Europ. diff<sup>es</sup>. came to a head : we thgt French wd. resent it. But last week we learned (thro' Bank of France) tht. French were about to make similar move & wd. wish to follow us. Erhard in Paris told me this, adding tht. Fr. were also going to de-value & wd. get a loan from G. I told him we had reached no dec<sup>n</sup>. on timing. Pinay told me Fr. wd. welcome action by us & wd. follow it. I suggested to F. & G. Ministers tht. we shd. be in this act together. Pinay said this practical co-op<sup>n</sup>. wd. help twds. resolving F.t.a. problem. He sugg<sup>d</sup>. action between 25 and 31/12. I proposed mtg. between Govrs. of 3 Banks. If these technical disc<sup>ns</sup>. go well, I propose to act at turn of year. Sh<sup>d</sup>. have to consult Commonwealth on 22/23 Dec. Shall then be under increasg.

pressure to remove dollar discrimination : but we need not on that go faster than our circs. warrant.

Important issue – what happens to E.P.U. Does it at once, or later, become an Europ. Monetary Assoc<sup>n</sup>.

R.A.B. Importance of publicity.

D.E. Significant tht. French is slipping into hands of G. moneylenders. Will diminish Fr. capacity to call the tune among the Six.

Cartel agreemts. betwn. F. & G. industrialists. This is why Fr. is willing to open quotas to G.

Means that G. will soon get financial & industrial control over F.

Hail. Eventually G., not F., will be clue to European situation.

D.E. Believe C. Market is not big enough for G. They will break out of it.

R.M. As soon as Adenauer's influence goes.

R.A.B. This will be major step in history of our currency. Recall 1952. Support H.A. in this.

Need for special secrecy.

#### 6. Malta.

A.L.B. Conference shd. end on Monday. Olivier friendly. Mintoff is asking to see me. Haven't yet used latitude given re formula.

#### 7. Cotton Imports.

P.M. ALB and I agree this shd. be bight to a concl<sup>n</sup>. Have a draft tel. to H. Kong. Lancs. can make no further concession. Ques outstanding : flat or escalated rate : towelling. Amount involved is v. little. Fair sol<sup>n</sup>. wd. be either flat rate of 115 m. for each of 3 years plus 3 for towelling and carry-over. Or 110, 112½, 115 – if H. Kong prefer it, with no carry-over. Ask them to choose. If H.K. industry can be persuaded to choose either, we wd. press Lancs. to accept : if they wd. not, free import. wd follow. Advantages of vol. agreemt. wd. be explained. Then, if H.K. won't choose either, "pressure for quota will become irresistible" : hope H.K. will therefore come to a vol. agreemt. by end/year. Make it clear tht. neither this nor any Govt. will be able to avoid imposing a quota if a vol. agreemt. is not reached.

Have seen Rochdale. Believe he can get Lancs. to accept either.

C.C.87(58)

23<sup>rd</sup> December, 1958

1. Foreign Affairs. [Enter E.H.]

S.LI. a) NATO Mtg. A good talk (preliminary) on Berlin.  
 b) European F.T. area. Talk with de Gaulle – warned him tht. if Six adopted discriminatory line, they wd. develop into political entity.  
 Consult<sup>n</sup>. etc., (strategic) – v. grandiose ideas. Carving up world into sectors with intern<sup>l</sup>. mil. staff.  
 c) Egypt : Finance. Agreemt. with Shell is cond<sup>l</sup>. on inter-Governmental agreement. Black has put his visit fwd. to end/Dec. Tempo quickened – may be chance of agreemt. Quick settlement wd. be in our interest.

H.A. Grateful to Black. Two points i) £3.3 M. drawing 40% wd. be for U.K. Govt. & shareholders in Canal Co. After consult<sup>n</sup>. with Black, wd. be ready if it wd. be helpful to make this concession in advance – tho' I wd. prefer to make it part of full settlement. I wd. not make the other (for aircraft) available in advance. First instalment is small (5%) & E. Govt. shd. be able to meet it.  
 d) German Note. Fr. want quick reply – to get on with discussions early in the 6 months. NATO will consider draft. We propose 3 part note – i) historical (on oppos<sup>n</sup>. to Hitlerism) ii) Potsdam Agreemt : is not source of our rights in Berlin iii) merits : cdn't remain “free” : Sov. note not an ultimatum : wd. be ready to join talks.  
 This genl. line is endorsed by U.S., France & Germany.

2. Cyprus.

S.LI. When it appeared in U.N. tht. Gks. wd. not get their way, G. & T. For. Ministers had 2 talks – wide autonomy, 50/50 particip<sup>n</sup>., independence.  
 Talks in Paris – desire for G/T friendship – statesmenlike approach. T. prob. shocked by Iraq & turning twds Europe. G. prob. bored with problem & sick of Makarios.  
 Worth pursuing.  
 Plan. Treaty betwn. communities – both languages : 35% of C. Serv. for T. : veto rights to communities on f. affairs, defence & communal ques.  
 All rather vague. As to relations of 2 Govts twds this – tho' clear tht. Treaties are contemplated. For U.K., bases with B. sovereignty (at U.K. choice) guaranteed by Treaty. The whole to be dressed up as “independence” – tho' a v. limited sort in fact.  
 They asked me if it was worth while for them to explore this basis. I said I wd. give them early answer.  
 Dangers. i) G/T. agreement unacceptable to us (cf. Sudan). But it is T. Govt., not T. community. ii) B. bases, while rest of Cyprus not under our control (cf. Canal Zone base : Ceylon). But key is wtr G. & T. Govts become parties to the obligations to us.  
 I recommend tht. we shd. encourage G. & T. Govts to explore this.

P.M. Must ensure tht. Bases wd. be usable – access as well as defence. And safeguards re status of remainder – pro-Western.  
 But we wd. be abandoning Br. territory – pol. criticism here.  
 x| Tone of reply : not so cold as to discourage a G/T. initiative : not so warm as to commit us to solution we cdn't in the end accept.

- A.L.B. Interestg. developmt. T. are now moving fr. confidence, not fear. But doesn't follow tht. sol<sup>n</sup>. acceptable to G. & T. wd. be agreeable to us.  
Bases. Good tht they are ready to leave us to demarcate them.  
Favour encouraging answer subject to x/.  
Party : concerned mainly with bases.
- D.S. In favour. A base in Cyprus – not Cyprus as a base – will meet our defence needs. And Cyprus in disorder is mil. liability, not asset.
- Hail. i) Hope this won't hinder our effort to destroy Eoka.  
ii) Hope even this Cyprus may be associated with Commonwealth.
- P.M. There shd. be no doubt of (i) : Govr. must understand tht. momentum must be kept up.
- R.A.B. These 2 For. Ministers are wholly unreliable. Don't put too much faith in them. But let them try.
- I.M. This developmt. reflects growing strength of U.K. Govt.
- H.A. Reserve judgement on (ii) until we see what sort of Cyprus it is.
1. General agreement.
  2. Draft of message to G. & T. Govts. approved.
  3. Views of Govr.
  4. Ctt<sup>ee</sup>. of officials (F.O. C.O & M/D.) to prepare for tri-partite talks.
3. Aircraft Industry. [Exit S.LI.  
[Enter A.J., G.W.]
- Note not taken.  
General approval of memo. by M/Supply.
- P.M. This disc<sup>n</sup>. has given us broad apprec<sup>n</sup>. of problem. We dominated the sea for generations : we can't abdicate in the air.  
Suggest we re-constitute Mills' Ctt<sup>ee</sup>. with enlarged t. of r. I will preside at first few mtgs to work out a genl. directive.  
\* Note : widen t. of r. to mention mil. needs.
4. Scottish Aviation Ltd.
- J.M. Firm will close at end/Jan. unless some action taken. 40/60 positive enquiries for 'plane of wh. at least 1/3<sup>rd</sup>. shd. mature.  
E.P.C. agreed tht. £50,000 shd. be advanced if Fin. Corp<sup>n</sup>. put up similar sum.  
Weekes thinks we cd. give more subject to i) re-appraisal of price : wh. shd. be higher, for the R.A.F. order. ii) red<sup>n</sup>. of p'mme. An ex gratia paymt. on a/c mght be justified : total sum might be over £200,000. That amount of spares are ready to be delivered to R.A.F.
- H.A. I will look at last point.  
I doubt if this company will be saved. But ready to take some risks.

A.J. This firm is foundering – and I doubt if it will pull round. Don't see why E. Electric shd. rescue it.

I have accelerated progress paymts – by £40.000 more than normal. Can I go further? Price : they didn't get as large an order as they hoped. But I can't settle that before early Jan. Sh<sup>d</sup>. I make payment on a/c : Acc. Offr. won't do it w'out directive from Minister : and I won't do it w'out dir<sup>n</sup>. from Cabinet. If these are spares not already covered by progress payments, I can pay for those. And, on re-pricing, I cd. consider some advance ex gratia (say £50.000).

P.M. Try and buy them some time by paying for any spares made but not delivered and giving some advance on the ex gratia payment for revised prices. [J.M. and A.J. to report to H.A. and P.M.]

[Exit A.J.  
[Enter PMG.

5. Investment Programme.

H.A. Figures for 1960 and 1961 must be regarded as ceilings for planning, tho' we shall look at them again.

E.M. We alone are to reduce steadily. Diff. for us – esp. on definition : for £9 M p.a. consist of alterations & removals of telephones : and tel. ducts on new roads, or alterations due to road works. None of this is really cap. investment.

H.A. In earlier years, the P.O. have bn. running higher than other Dpts. And they use same resources.

M. The whole thing is faintly ridiculous. Re-enter S.Ll.

G.Ll. Minor works.

H.A. No!

J.M. Sc. education figures are still under disc<sup>n</sup>. with Ty. Reserve this  
Sc. electricity .. .. .

H.W. Roads. Para. 16. To keep w'in this limit – we will do our best. But if we have a fine summer, it may be hard to slow p'mme down w'out public comment. Shall try to avoid public disclosure.

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

6. Pensions.

R.A.B. Pros and cons. No v. gt. pol. importance. Ctt<sup>ee</sup>. favoured it –ques is wtr H.A. can agree to it.

H.A. Arguments fairly summarised in memo. But rash to concede this now. Reserve it as quid pro quo for increase in retirement age which we shall have to face in next Parl.

B.C. Gt. pressure for it. W<sup>d</sup>. do somethg. for those under £9 p.wk. Complement to change on earnings rule. W<sup>d</sup>. make Bill more acceptable politically.

H.A. A rising burden over the years.

H.B. Immediate gain doesn't balance long-term loss.

R.A.B. W<sup>d</sup>. be the only change wh. cd. be said to be made in light of debate.  
On balance I am in favour of doing this.

Agreed.

H.A. Method of dealing with deficits & surpluses. I had preferred a formula wh. wd. operate automatically in adjusting contributions. Bill provides for sales in & out of Fund. I am, however, ready to accept view of my colleagues.

R.A.B. Borrowing : taxation : increased contrib<sup>ns</sup>. We wd. prefer to reserve last method to discretion of Ministers – not automatic.  
Prefer to leave Bill as it stands. New system cd. be introduced later : in 2-3 years' time.

Agreed – Bill as it stands.

[Exit B.C.]

7. Civil Aviation : Jet Aircraft.

H.W. As in memo.

R.A.B. Only practicable course.

S.Ll. Agree : provided rules are applied flexibly.

8. British Aluminium Company.

[Enter Econ. Secy.]

Note not taken.

C.C.88(58)

23<sup>rd</sup> December, 1958

1. European Free Trade Area. [Enter E.H : Alport

D.E. (i) We can't commit ourselves to Six not to discriminate in favour of our friends outside Europe.

H.A. But we must ascertain views on this of the others in Europe.  
(ii) Ellis-Rees to come over for consult<sup>n</sup>. next week, before mtgs in Paris on 5/1. Experts will work on this from 5-10 Jan. Ministers meet on 15/1.

D.E. Views of de Gaulle party, as reflected in Le Monde.

R.M. Position is at present obscure : can't judge how it will develop.

P.M. On our own plan we face dilemma : if our offer is only for 11, we are ourselves discriminating : if it isn't, it's not much help. We must therefore stand on pos<sup>n</sup>. tht. we can't say positively tht. its advantages will not be extended to others.

R.A.B. After all the row we've had, we can't afford to make any concession on agriculture. Prefer to reserve our pos<sup>n</sup>. on that.

2. New Zealand Butter.

Alport. Nash intends to make a helpful statement to follow ours.  
Skinner asks only tht. if market changes offl. talks may be resumed.

[Exit Alport  
[Enter P.M.G.

3. Civil Service Pay.

H.A. P.O. Engineers have good claim to 4% & wd. get it at arbitration. Remainder had last increase in July '57. Normally each wd. go to fact-finding : but this is working slowly & staff assoc<sup>ns</sup>. are reluctant to accept delay. This makes a case for central award, even tho' movement has not bn. unusually rapid.

Out-side comparison : 52 firms : in 26 increases amountg to 3.5%. This alone wdn't warrant an increase – on philosophy that C.S. follows. But prob. in mid-movement & in 3 mos. or so a case for 3.5% mght be substantiated.

Alternatives. i) no central settlement. The strongest cases wd. go to arbit<sup>n</sup>. and might get more than 3.5% – and others, followg., might benefit. And if c/living rose, awards mght be 5%.

ii) continue with central negot<sup>n</sup>. but play it slow while more inform<sup>n</sup>. is being collected. Wdn't cost less because wd. have to be back-dated.

iii) offer 3.5% now. Against : we shd. not "follow". For : wd. be part of present cycle and less likely to start another.

Majority of Ctt<sup>ee</sup>. were influenced by consequences of 4% or more in a few months' time.

Ch.H. Priestley : comparable outside rates : fact-finding class by class : follow outside rates. Dangerous to introduce other principles.  
Offer of 3.5% not justified on these grounds.  
Criticism of arguments in favour.

Wait for full evidence of outside movement – and accept its consequences.

- M. Evidence in para 3 is not representative. Additional – Agreemt. Oct. in engineering to pay around 4% to salaried staff up to £750. p.a. Above that level firms make own arrangement usually from 1<sup>st</sup>. Jan.  
If Ty. can settle for 3½%, we shall do well.
- H.W. Don't like offering at this stage a rise to large no. Many wd. see this as start of fresh round. I wd. sooner take it in detail.
- A.L.B. Support M.
- I.M. On balance I support H.A. All we can do is to influence timing : & on that basis the sooner the better. I wd. sooner do it now than in spring or summer of '59.
- PMG. Ch. Hill's course wd. suit G.P.O. But on balance believe HA is right. P.O.E.'s will try to get best of two worlds – following outside engineers but also takg. advantage of any movement in C.S.  
At arbit<sup>n</sup>. P.O.E.'s will get at least 4%.
- R.A.B. Settle at 3½% if we can – at this time of year.

Agreed : try for general settlement at 3.5%.