CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 17th January, 1952, at 5 p.m.

Present:
The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs (in the Chair).
The Right Hon. LORD WOOLTON, Lord President of the Council.
The Right Hon. LORD SIMONDS, Lord Chancellor.
The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.
The Right Hon. OLIVER LYTTELTON, M.P., Secretary of State for the Colonies.

The Most Hon. the MARQUESS OF SALISBURY, Lord Privy Seal.
The Right Hon. Sir DAVID MAXWELL FYFE, K.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.
The Right Hon. LORD ISMAY, Secretary of State for Commonwealth Relations.
The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.
The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.
The Right Hon. PETER THORNEycroFT, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. ANTONY HEAD, M.P., Secretary of State for War (Item 1).
The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply (Items 1–2).
The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury (Item 3).

Mr. T. PADMORE, Secretary.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Korea</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Winter Clothing</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Washington and Ottawa Talks</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>The Economic Situation</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Government Expenditure</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Trade with Eastern Europe</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Battle Act</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The Sudan</td>
<td>19</td>
</tr>
<tr>
<td>6</td>
<td>Town and Country Planning</td>
<td>19</td>
</tr>
</tbody>
</table>
1. The Cabinet had before them a memorandum by the Secretary of State for War (C. (52) 6) reporting on the provision of winter clothing for British troops in Korea.

The Secretary of State for War informed the Cabinet that he had examined the position soon after his appointment and had made a Parliamentary statement which had foreshadowed the present position. Current Press reports of inadequate provision of winter clothing were without real substance. The cause of the criticism was that, although the Finnish type of clothing in use last winter and still in use for part of our Forces was adequate, it was being replaced by equipment of a much better type. It had been decided locally to begin the issue of improved equipment although full replacement of the Finnish type of clothing could not be completed for a few weeks. As the memorandum showed, the Government had a good case in answer to the criticisms which were being made.

The Cabinet—

Invited the Secretary of State for War to hold a Press conference at an early date with a view to removing current misapprehensions about the provision of winter clothing for the troops in Korea.

2. The Foreign Secretary and the Commonwealth Secretary gave to the Cabinet an account of the discussions with the United States and Canadian Administrations during the course of the recent visit of United Kingdom Ministers to North America.

Before describing the course of talks on specific items, The Foreign Secretary made the following general observations:

(a) He said that he had returned from North America with a renewed conviction of our need to do everything possible to re-establish our economic and financial independence. We must do this even if, as a result, rearmament took longer than had been hoped. It was, indeed, in his view the first and most important task of the present Government. The United States Administration had been friendly and helpful, and they had not adopted a critical attitude when our Ministers had explained our balance of payments position and our difficulties in increasing coal production; but there was no doubt that their attitude was fundamentally affected by our dependent situation and would be substantially changed once we were standing on our own feet.

(b) Politicians in the United States were already deeply pre-occupied with the forthcoming Presidential Election, even more so than usual because of the possible candidature of General Eisenhower. This made the Administration anxious to produce quick results and disposed to take a short view of the problems before them and us. It was by no means certain that General Eisenhower would secure the Republican nomination, since Senator Taft had wide support. But if he did secure the nomination he seemed fairly certain of election.

(c) The Foreign Secretary had met the Foreign Relations Committees of both Houses of Congress and had had useful and friendly discussions with them.

On the particular topics included in the agenda of the talks, the Foreign Secretary gave the following report:

(d) Reform of N.A.T.O.

The United States views on the reform of N.A.T.O. appeared to be closely in line with ours, except on the one subject of the future location of the headquarters of the Organisation. For this they favoured Paris, while we favoured London; and the question remained undecided.
(c) The Atlantic Command

Discussions on this were still continuing. The Foreign Secretary's impression was that, while the United States Government felt that they were now deeply committed to their ideas, the present situation would not have developed if they had been fully aware much earlier of the nature of the arguments advanced on our side. He thought that in the upshot the Prime Minister would be successful in obtaining much of the substance of what he desired.

(f) Egypt

Close agreement had been established between the two Governments in the working out of ideas for settlement of the Egyptian problem. The United States Government were entirely helpful to our point of view and were giving good support.

(g) Persia

Discussions on the Persian oil problem had not been altogether easy, since both the United States Secretary of State and the Secretary of Defence were critical of the manner in which the matter had been handled by us and by the International Bank. They were unduly anxious for quick results and had allowed the Persian Government to see that they were disturbed by such pin-pricks as the refusal of that Government to renew its military agreement with them. The Foreign Secretary had made plain to them the importance of playing our hand slowly and carefully.

(h) Korea

General Bradley had given a most impressive account of the military situation in Korea. The Communist forces had undoubtedly been strengthened during the period of the armistice talks, but General Bradley was nevertheless confident that the United Nations forces could hold any Communist offensive which might be launched. This was subject to their view that, in the event of such an offensive, it would be necessary to bomb targets beyond the Yalu River. Indeed, in the event of any breach of the armistice, the United States Government would wish to undertake fairly widespread bombing outside the frontiers of Korea, but would confine this to military targets, such as air-fields. They would also wish to cut off all trade with China. In this connection the President had been very critical of what he understood to be the scale of the continued export of strategic materials to China, either by us or in British ships. Material sent from London had enabled United Kingdom Ministers to answer this criticism effectively.

(i) South-East Asia

Useful discussions had taken place on policies in South-East Asia and staff talks in which the French had taken part had been satisfactory to them. It was clear that the United States Administration were now much better aware of the danger that Communist pressure might be switched from Korea to other parts of South-East Asia, though there were still some remaining signs of their old anti-Colonial prejudice.

(j) The Foreign Secretary observed that Parliamentary difficulties might arise over the handling by the United States Government of the question of relations between the Government of Japan and the National Government of China in Formosa. The United States Government took the view that the communication which the Japanese Government had sent to General Chiang Kai-shek was necessary if the United States Senate was to ratify the Japanese Peace Treaty; but we had not agreed with this action.

The Commonwealth Secretary, in supplementing the Foreign Secretary's account, made a brief reference to discussions with the Government of Canada.
The Canadian Minister of National Defence, who had recently been in Korea, took a less sanguine view of the military situation there in the event of renewed hostilities than did General Bradley. He thought, in particular, that the South Korean division holding the line on the left flank of the Commonwealth Forces was of doubtful quality, while the United States division on their right flank was not first-class. In the event of a renewed attack our forces might suffer heavy casualties.

The Government of Canada were in sympathy with the Prime Minister's views on the question of the Atlantic Command. They would support those views provided that arrangements could be made which, while being consistent with them, would avoid upsetting the other North Atlantic Powers.

The Commonwealth Secretary said that he had been impressed by the strongly pro-British attitude of the Canadians, though they were also ardent nationalists and deeply conscious of their status of equality with the United Kingdom within the Commonwealth.

3. The Cabinet discussed the timing of the Parliamentary announcement on the measures contemplated for remedying the present economic situation. Parliament and the public had been led to expect an announcement immediately on the re-assembly of Parliament and it would be politically undesirable to defer it until the second week of the sittings. It would, however, be necessary, if a debate on economic affairs were to be opened by the Chancellor of the Exchequer on 30th and 31st January, for a firm decision in this sense to be taken before 22nd January in order that the Opposition might be informed of the change in the Parliamentary business agreed for the first week.

The Chancellor of the Exchequer gave the Cabinet a general indication of the measures which he had in mind. While that part of them which related to Government expenditure had already been given preliminary examination by the Cabinet on 20th December, he would be recommending other measures following on the conclusions of the Conference of Commonwealth Finance Ministers now in progress.

In view of the information which the Chancellor of the Exchequer gave to the Cabinet on the steps necessary to remedy the deficit in the balance of payments, the Cabinet felt that every effort should be made to ensure that other demands did not adversely affect vital exports, particularly of the products of the metal-using industries. In this connection they were informed that the Prime Minister had under examination proposals for according priority to the production of certain items of the defence programme. The Cabinet were of opinion that priority should be accorded only to the extent recommended in a telegram which had been sent to the Prime Minister by the Chancellor of the Exchequer.

The Cabinet—

(1) Provisionally decided to examine at their meeting on 22nd January the economic and financial measures to be recommended to them by the Chancellor of the Exchequer, with a view to their announcement to Parliament at the opening of a debate on the economic situation on 30th January.

(2) Invited the Foreign Secretary and the Chancellor of the Exchequer to telegraph to the Prime Minister—

(i) seeking his assent to this time-table;
(ii) recommending that priority for arms production should be accorded only within the limits recommended to him by the Chancellor of the Exchequer.
The Minister of Health informed the Cabinet that the proposals placed before them at their meeting of 20th December for the imposition of certain charges in connection with the Health Service would require legislation, which would be introduced soon after the announcement on economic and financial policy shortly to be made by the Chancellor of the Exchequer. It had been suggested that the legislation might provide for the charges to come into effect (subject to Parliamentary approval) within some two weeks of the introduction of the Bill. It would, however, in his view be unusual and inappropriate to bring these charges into force at a date earlier than that on which they were actually authorised by the passage of legislation. The immediate imposition of new taxes in a Budget (to which the Provisional Collection of Taxes Act applied) was not, he thought, a true parallel. Nevertheless, deferment of the charges until Royal Assent might reduce revenue from them by as much as £500,000.

The Cabinet—

(3) Agreed that Health Service charges to be imposed by forthcoming legislation should not take effect until the legislation received the Royal Assent.

Trade with Eastern Europe.

4. The Cabinet had before them a memorandum by the Foreign Secretary (C. (52) 7) summarising the issues arising from talks which had just taken place in Paris on the implications of the United States Mutual Defense Assistance Control Act (Battle Act). Following on the instructions given by the Cabinet at their meeting on 3rd January, the United Kingdom Delegation to the Paris Group had secured substantial support for our views from the European Governments. In the Paris Group discussions the United States representative, while he had been unable because of the terms of the United States law to give an assurance that his Government would in all respects administer the Battle Act in a manner consistent with the principles and procedures already laid down by the Paris Group, had appeared genuinely anxious to take all possible steps to meet the views of the European Governments. He had agreed on the importance of maintaining the Paris Group and had undertaken that the Administrator appointed under the Act would give maximum weight to the recommendations of the Group and would seek to change existing procedures and policies as little as possible. He had made three recommendations for modifications in present procedures designed to assist the Administrator in using the machinery of the Group to discharge his obligations under the Act. These suggestions were—

(i) that the present procedure relating to the export of items subject to embargo should be amended to ensure consultation with the Paris Group in advance of export whenever possible;

(ii) that the export under existing contracts of goods included in the embargo list should be held up to give the United States Government time for consideration and for obtaining of authority for the necessary exports under the Battle Act;

(iii) that we should consult the Paris Group before exporting some six items which appeared on the American embargo list but not on ours.

The Cabinet were of the opinion that, while the Battle Act remained objectionable in principle and while we should continue to make this clear, the proposals made by the United States Government might be accepted subject to some modification of that noted in paragraph (ii) above and to our retaining freedom to resist restrictions on the export of rubber and tin which might be proposed later but would adversely affect the price of these commodities and would therefore reduce the dollar income of the sterling area.
The Cabinet agreed—

(1) That the suggestion noted in paragraph (i) above might be accepted.

(2) That we should not accept any general hold-up of exports to which we were committed, but should remind the United States Administration that they were already in possession of a list of our contracts and should offer to examine with them any individual items which they might wish to discuss with us.

(3) That the suggestion noted in paragraph (iii) above might be accepted, but that we should maintain our freedom to examine on their merits any additions to their embargo list which the United States Government might propose.

The Sudan.

5. The Foreign Secretary informed the Cabinet that he had discussed relations with Egypt and the Sudan with the United States Government and had under examination a suggestion that we should give a fresh indication to the King of Egypt of the attitude which we should adopt on the various outstanding problems if an Egyptian Government were formed with which we could negotiate. He wished the Cabinet to be aware that among the proposals made to him was one relating to the question of the King’s title: on this it was suggested that we should indicate that, as part of a general settlement, we might agree that, although we did not recognise King Farouk’s claim to the title of King of the Sudan, he should not be asked to change the Egyptian law by which he enjoyed this additional title, provided that it was understood (i) that pending the establishment of self-government in the Sudan the existing administration should continue unchanged, the additional title having no practical effect, and (ii) that after the establishment of self-government the position of the King of Egypt in relation to the Sudan should be determined by a plebiscite conducted by an international Commission under an agreement to be reached between the Egyptian and United Kingdom Governments.

The Foreign Secretary said that he was not seeking an immediate decision from the Cabinet. But he would be glad of their authority to open preliminary discussions on this proposal with the United States Government. If after such discussions it seemed desirable to proceed with the suggestion he would consult the Governor-General of the Sudan.

The Cabinet—

(1) Invited the Foreign Secretary to circulate to them a memorandum setting out the suggestion which he had mentioned.

(2) Subject to any comments which members of the Cabinet might wish to make to the Foreign Secretary on receipt of this memorandum, authorised the Foreign Secretary to ascertain the views of the United States Government on the suggestion made in it.

6. The Minister of Housing and Local Government informed the Cabinet that he was preparing proposals for the amendment of the Town and Country Planning Act, 1947, and would be glad to discuss these with a few of his colleagues.

The Cabinet—

Invited the Foreign Secretary, on behalf of the Prime Minister, to appoint a Cabinet Committee to examine these proposals.