CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 17th June, 1952, at 11 a.m.

Present:

The Right Hon. Winston S. Churchill, M.P., Prime Minister (in the Chair).

The Right Hon. Anthony Eden, M.P., Secretary of State for Foreign Affairs.

The Most Hon. the Marquess of Salisbury, Secretary of State for Commonwealth Relations.

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 Right Hon. Lord Leathers, Secretary of State for Co-ordination of Transport, Fuel and Power.

The Right Hon. Peter Thorneycroft, M.P., President of the Board of Trade.

The following were also present:

The Right Hon. R. G. Menzies, Q.C., Prime Minister of Australia.

The Right Hon. Viscount Swinton, Chancellor of the Duchy of Lancaster.

The Right Hon. Duncan Sandys, M.P., Minister of Supply (Item 8).

The Right Hon. the Earl De La Warr, Postmaster-General (Item 11).

Secretariat:

Sir Norman Brook.
Mr. A. S. Brown (Secretary of the Australian Cabinet).
Mr. G. Mallaby.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Menzies</td>
<td>161</td>
</tr>
<tr>
<td>2</td>
<td>Royal Visit to Australia and New Zealand</td>
<td>161</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>161</td>
</tr>
<tr>
<td>4</td>
<td>Korea</td>
<td>161</td>
</tr>
<tr>
<td></td>
<td>Armistice Talks</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Persia</td>
<td>162</td>
</tr>
<tr>
<td>6</td>
<td>Trade between the United Kingdom and Australia</td>
<td>162</td>
</tr>
<tr>
<td>7</td>
<td>Meetings of Commonwealth Ministers</td>
<td>163</td>
</tr>
<tr>
<td>8</td>
<td>Supply of Defence Equipment to Australia</td>
<td>164</td>
</tr>
<tr>
<td>9</td>
<td>Central African Federation</td>
<td>165</td>
</tr>
<tr>
<td>11</td>
<td>Recognition of Post Office Staff Associations</td>
<td>166</td>
</tr>
<tr>
<td>12</td>
<td>Conclusion of Mr. Menzies' Visit</td>
<td>167</td>
</tr>
</tbody>
</table>
1. The Prime Minister said that he and his Cabinet colleagues were very glad to have the Prime Minister of Australia with them at this meeting. They would greatly value the benefit of his experienced counsel.

2. The Cabinet had before them a note by the Secretary of the Cabinet (C. (52).183) covering a minute by the Prime Minister of Australia on the proposed dates of the Royal Visit to Australia and New Zealand and on the suggestion that The Queen and the Duke of Edinburgh should make use of the s.s. Gothic during the course of their Visit.

In discussion there was general agreement that it would be advantageous if Her Majesty made use of the s.s. Gothic during this Visit. The Chancellor of the Exchequer expressed his appreciation of Mr. Menzies’ offer of an Australian contribution towards the cost of using this vessel.

It was also agreed that, subject to the views of the New Zealand Government, it would be convenient that the Visit to New Zealand should take place in January 1954 so that the Visit to Australia could be completed by the end of March.

The Cabinet—

(1) Took note that the Prime Minister would inform Her Majesty of the views which had been expressed in the discussion.

(2) Invited the Chancellor of the Exchequer to arrange for official consultations to be held with the Australian Government regarding Australia’s contribution towards the cost of using the s.s. Gothic for the purpose of this Visit.

3. The Foreign Secretary said that there was good reason to hope that the German Federal Chancellor would be able to hold his Coalition Government together and secure the ratification of the Treaty for the European Defence Community. Ratification would be opposed by the Social Democratic Party, owing chiefly to the hostility of its leader, Dr. Schumacher. More reasonable views would prevail in the Social Democratic Party if its leadership passed in course of time to Herr Reuter. The most serious risk was that the German Supreme Court might find that the Treaty could not be ratified without a two-thirds majority in the West German Parliament, for the Federal Government could not command such a majority. The French Government continued to vacillate, but it was unlikely that they would finally abandon their own conception of a European Defence Community and he hoped they would secure the ratification of the Treaty towards the end of the year. We must be prepared for a period of tension in our relations with the Soviet Government. Our sharp reaction to Soviet pressure in Berlin would make them cautious about further hostile moves; but they would lose no opportunity of obstructing the final conclusion of the Treaty.

The Cabinet—

Took note of this statement by the Foreign Secretary.

4. The Foreign Secretary said that the Indian Government had been taking informal soundings in Peking with a view to breaking the deadlock in the negotiations for an armistice in Korea; and the Indian High Commissioner in London had communicated to him alternative proposals for the solution of the prisoners of war problem which the Chinese Communist Government might be willing to accept. The first alternative, which the Chinese would prefer, was that 110,000 prisoners of war (20,000 Chinese and 90,000 North Koreans) should
be returned and that the remaining prisoners in the hands of the United Nations Forces might go where they pleased. This we could not accept, since it would be inconsistent with the principle which we had affirmed. Moreover, we only had about 20,000 Chinese prisoners in our hands, and many of them were reluctant to be repatriated. The second alternative was that the United Nations High Command should accept the principle that all prisoners of war from both sides should be repatriated; but that those prisoners who showed any disinclination to go home should be brought to Panmanjom and screened by four neutral States and the National Red Cross organisations of the belligerent Powers on both sides. The Chinese Government would be prepared to abide by the results of this screening. The four neutral States concerned were Poland, Czechoslovakia, Sweden and Switzerland. He thought that the second alternative merited further examination and he proposed to report it to the United States Government and obtain their views.

The Cabinet—
Took note with approval of the course which the Foreign Secretary proposed to follow.

5. The Foreign Secretary said that economic conditions in Persia were now worsening and it seemed likely that Dr. Musaddiq would fall within a few weeks. He wished, therefore, to be ready with fresh proposals for a solution of the Persian oil problem, which could be put to a new Persian Government. He would submit these proposals to the Cabinet in the following week. It was unfortunate that in these more favourable circumstances the awkward problem of the Rose Mary should have arisen. This ship had sailed from Bandar Mahsur with a cargo of crude oil which the Persian Government were not legally entitled to sell. Arrangements had been made to take legal action to prevent its disposal, but the success of these arrangements depended to some extent on the ship’s first port of call. It would be much easier to take the necessary action in Aden than in Egypt.

The Cabinet—
Took note of this statement by the Foreign Secretary.

6. Mr. Menzies said that he had discussed at length with the President of the Board of Trade the difficulties which Australia’s import restrictions had caused to traders in the United Kingdom. The area in which any accommodation could be extended to United Kingdom traders was necessarily limited, since the purpose of the Australian import restrictions was to preserve Australia’s financial reserves. He had, however, agreed with the President of the Board of Trade that the Australian import quotas must be first used for existing contracts before they were applied to new orders from elsewhere. He had further agreed that cases involving special hardship, particularly the exclusion of goods made specially for the Australian market, should be dealt with sympathetically, though this might mean exceeding the target limit of Australian imports by a few million pounds. He had been unable to suggest any special regulations to ease the difficulties of the textile and pottery industries in the United Kingdom: Australia herself had a textile industry which was at present under-employed. He did not, however, wish to shut the door finally upon the possibility of finding some method of alleviation and he would be prepared to discuss this further on his return to Canberra.

The President of the Board of Trade said that both he and Mr. Menzies were equally concerned that present circumstances made it impossible for them to arrange more substantial measures of mutual
benefit. He was specially glad to hear that Mr. Menzies was prepared to give further thought to the question of textiles on his return to Australia; and he would not press him to say more on that subject at present. He hoped that, when the time came for Australia to relax the quota system, Mr. Menzies would consider giving the first benefits of this relaxation to the United Kingdom, especially as any goods bought outside the sterling area had to be paid for in dollars or gold.

Mr. Menzies said that he would much prefer that no reference should be made in public statements to the possibility of discrimination or preference in favour of the United Kingdom. These terms gave rise to misapprehension and created difficulties with other countries. Australia had large trade balances with European countries and he must take these into account in settling the pattern of Australian trade. He recognised the force of the argument that goods from the non-sterling area had to be paid for in dollars or gold; but he would prefer not to make any promises in advance about Australian policy with regard to the release of quotas. He would certainly deal sympathetically with United Kingdom claims when the time came.

The Cabinet—

Took note of these statements by Mr. Menzies and the President of the Board of Trade.
these problems until the middle of 1953. It was also suggested that the matter was one of such importance that it ought to be discussed at a Meeting of Commonwealth Prime Ministers. Would it be possible to hold such a meeting in November 1952?

Mr. Menzies said that, in his recent discussions with the President of the Board of Trade, he had been impressed by the political difficulties which attended the making of relatively minor concessions in commercial transactions between one Commonwealth country and another; and he believed that the only way to overcome these obstacles was to lift the discussion to higher levels at which it would attract the attention of a wider public with more general interests. This strengthened his conviction that from the political point of view, both in Australia and in the United Kingdom, there was everything to be said for initiating Commonwealth consultations on the wider issues of economic and commercial policy and for holding a meeting on these subjects at the earliest possible moment. He shared the view that it would be of special political importance to hold this meeting before the end of 1952: If it could be held in the second part of November, he would undertake that Australia would be effectively represented. At the same time he recognised the need for proper preparation for the meeting; and he suggested that a body of senior officials should be appointed, drawn from as many as possible of the Commonwealth countries, and charged with the duty of undertaking all the necessary preparations and carrying discussions to such a point that, when Ministers met in November, they would have a reasonable opportunity of reaching fruitful decisions. If the United Kingdom Government were willing to put forward proposals on these lines, they could count on his firm support; he would in particular commend them to the Prime Minister of New Zealand and to the Prime Minister of Canada, whom he would be seeing on his return journey to Australia.

The Cabinet—

(1) Agreed that every effort should be made to arrange for a Meeting of Commonwealth Ministers to be held in London in the second half of November 1952, to discuss means of concerting the economic, financial and commercial policies of Commonwealth countries; and that at this Meeting Commonwealth countries should be represented, wherever possible, by Prime Ministers.

(2) Agreed that preparations for this Meeting should be undertaken by a body of senior officials drawn from as many of the Commonwealth countries as were willing to second officials for this purpose.

(3) Invited the Commonwealth Secretary to commend these proposals to the favourable attention of other Commonwealth Governments; and agreed that no announcement should be made until the views of all the other Commonwealth Governments had been ascertained.

Supply of Defence Equipment to Australia.

8. The Minister of Supply said that Mr. Menzies had given him a list of the defence equipment which Australia needed, divided into mobilisation equipment and equipment for stockpiling. He had concentrated his attention on the mobilisation equipment, which was the more urgent need: the stockpiling requirements could be considered later. The Australian Army requirements amounted to a figure of £A. 73 million spread over a period of about three years and included 190 Centurion tanks. There might be some difficulty in supplying a few of these requirements; but, generally speaking, the equipment asked for could be made available from current production and the Australian orders could be phased in with the United Kingdom rearmament programme. The total requirements of the Royal
Australian Navy amounted to £A. 87 million spread over a rather longer period, and these were being examined by the Admiralty. The total Air Force requirements amounted to £A. 89 million, likewise spread over a period of three years. Of the demand on the United Kingdom, the 89 Canberras required could be supplied, and it would be much less expensive to obtain them from the United Kingdom than to increase Canberra production in Australia. The 34 Prince trainers could probably be supplied also; but there might be some difficulty—not, he hoped, insurmountable—in the supply of Gannets, which were much needed by the Royal Navy. However, this was being examined.

Turning to Australia’s proposed purchases of aircraft from the United States, the Minister of Supply said that Australia were asking for 170 Sabres, for half of which engines would be manufactured in Australia, at a cost of £A. 23 million. The Sabre was already obsolescent. He wondered if Mr. Menzies would consider the possibility of substituting an order from the United Kingdom for Hunters and Swifts, if these could be made available. These were better aircraft and less expensive. Similarly, it might be possible for Australia to substitute the Blackburn Freighter for the American transport aircraft C119, and the Shackleton for the American naval reconnaissance aircraft Neptune.

Mr. Menzies said that he would examine these suggestions on his return to Australia. The list of equipment which he had presented could be regarded as firm requirements. He had to consider the need for retaining some industrial capacity for aircraft production in Australia and particularly for the production of aircraft engines.

Mr. Menzies said that his discussions in London had resulted in agreement on two very important principles. The first was that increased Australian food production was to be regarded as of a high order of priority, both in peace and in war. To help in planning Australia’s food production, the Minister of Food had agreed to let him have a forecast of United Kingdom food requirements. The acceptance of this principle would in no way limit Australian targets for the raising and training of armed forces in war; but it would limit the extent to which Australia committed resources to the manufacture of defence equipment. The second principle was that, in return, Australia should be able to look to the United Kingdom to meet her reasonable requirements for defence equipment; and that the United Kingdom should incorporate these in their own defence production programme, so that Australia would receive her due proportion of equipment as it became available.

The Cabinet—

Took note with approval of the statements by Mr. Menzies and the Minister of Supply.

9. The Cabinet had before them a memorandum by the Commonwealth Secretary and the Colonial Secretary (C. (52) 193) covering a draft White Paper on the Federal Scheme for Southern Rhodesia, Northern Rhodesia and Nyasaland, to be published on 18th June, and a draft of a statement to be made in both Houses of Parliament on the same day.

The Colonial Secretary drew attention to three particular points in the Scheme. The proposal to include in the Federal Cabinet a specially appointed Minister for African interests had been abandoned as constitutionally unsound, and in its place the African Affairs Board had been strengthened. Provision had been made by which, if any objection was raised to any proposed constitutional amendment, either by the African Affairs Board or by a Territorial Legislature, the amendment could only be made by Order in Council, and the draft Order would be laid before the United Kingdom Parliament for forty days before it was made. In Part II of the White Paper the Federal
PUBLIC RECORD OFFICE

Group: CAB
Class: 126/25

CLOSED UNTIL 2003
under 5.5(1)

at the time of the transfer of the class to the P.R.O.:—

CC(52) 60th Conclusions Item 10

(date) 14/9/82

Departmental Record Officer.

*delete as necessary.
legislative powers had been defined in two lists—the first list being confined to matters on which the Federal Legislature alone would be empowered to make laws, and the second to matters on which both the Federal Legislature and the Territorial Legislatures would be empowered to make laws, with Federal law prevailing in cases of inconsistency. Further investigations into the financial, administrative and judicial problems of federation would be made during the summer and, when these investigations were completed, it was intended to hold a further conference in Africa later in the year to give final shape to the Scheme. It would then be submitted to a referendum of the Southern Rhodesian electorate and to the legislatures of Northern Rhodesia and Nyasaland for ratification. The sacrifice of a certain measure of freedom which federation would impose upon Southern Rhodesia made its acceptance by that country uncertain; but it was hoped that, given the full support of the Southern Rhodesian Prime Minister, the referendum would be favourable.

The Cabinet—

Authorised the Colonial Secretary to arrange for the White Paper annexed to C. (52) 193 to be presented to Parliament on 18th June; and agreed that statements should be made on that day, in both Houses of Parliament, in the terms of the draft in Appendix II of C. (52) 193.

Recognition of
Post Office
Staff
Associations,

11. The Postmaster-General said that he wished to make a statement in Parliament on the following day about the report of the Committee, under the Chairmanship of Lord Terrington, which had considered the question of recognition of the various staff associations in the Post Office. The Committee’s recommendations would have
the effect of requiring the Minister to satisfy himself about the competence of the various associations to represent staff interests: this he regarded as a matter to be settled by the staff, and not determined by the employer, and he was not prepared to accept the Committee's report. He therefore proposed to defer taking a final decision for some months, and during that time he would do everything he could to induce the parties to settle the differences between them. The Parliamentary situation was difficult; for the Conservative Party, when in opposition, had strongly advocated the recognition of some of the smaller associations. He believed that his proposal was the best way of overcoming the Parliamentary difficulty: it had the support of the Minister of Labour, and had been approved by the Home Affairs Committee on 16th May. At that time he had been intending to announce that his final decision would be delayed for twelve months, but he had since ascertained that a delay of six months would be more acceptable to Government supporters in the House of Commons.

In discussion some preference was expressed for a longer period of delay than six months; and The Prime Minister said that the Cabinet should have an opportunity of discussing this question further when they had seen the draft of the Parliamentary statement which the Postmaster-General wished to make. If in the meantime the Postmaster-General were pressed for an early statement of his policy, he might promise that a statement would be made in Parliament on 24th June.

The Cabinet—
Agreed to resume their discussion of this question at a later meeting; and invited the Postmaster-General to circulate a draft of the statement which he wished to make in Parliament.

Conclusion of Mr. Menzies' Visit.

12. Mr. Menzies said that, before he left London that afternoon, he proposed to issue, primarily for publication in the Australian Press, two statements on the results of his discussions in London. One of these would be devoted to his discussions about the impact of Australia's import restrictions upon United Kingdom industries: the other would be concerned with his more general talks on international affairs and supply questions including, particularly, Australia's food production and the supply of defence equipment from the United Kingdom to Australia.

The Prime Minister said that these statements would be published in the London newspapers on the following day. It would therefore be necessary for him to make a corresponding, though shorter, statement on behalf of the United Kingdom Government, which could be published at the same time. He proposed to make this statement in the House of Commons that afternoon. He read to the Cabinet a draft of the statement which he proposed to make. The Commonwealth Secretary would simultaneously make a corresponding statement in the House of Lords.

The Cabinet—
Took note with approval of the terms of the statement to be made on behalf of the United Kingdom Government regarding the discussions held during Mr. Menzies' visit.

The Prime Minister said that he and his colleagues were very glad to have had the opportunity, during the past three weeks, of holding personal consultations with Mr. Menzies. They greatly appreciated his wise counsel and the stimulating contributions which he had made to their discussions. They looked forward with pleasure to his return for further consultations at a relatively early date.
Mr. Menzies said that the discussions which he had held in London had been most valuable—more valuable perhaps in their confirmation of a common understanding on fundamental issues than in their immediate results. He greatly appreciated the sympathetic understanding of Australia's difficulties which United Kingdom Ministers had shown throughout his discussions.

Cabinet Office, S.W. 1,
17th June, 1952.