CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1,
on Tuesday, 27th October, 1953, at 11 a.m.

Present:

The Right Hon. Sir WINSTON CHURCHILL, M.P., Prime Minister (in the Chair).
The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.
The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.
The Right Hon. VISCOUNT WOOLTON, Chancellor of the Duchy of Lancaster and Minister of Materials.
The Right Hon. the EARL ALEXANDER OF TUNIS, Minister of Defence.
The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.
The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.
The Right Hon. LORD CHERWELL, Paymaster-General.
The Right Hon. FLORENCE HORSBRUGH, M.P., Minister of Education.

The following were also present:
The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply (Item 3).
The Right Hon. GEOFFREY LLOYD, M.P., Minister of Fuel and Power (Item 3).
The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury.

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. G. MALLABY.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trieste</td>
<td>59</td>
</tr>
<tr>
<td>2</td>
<td>Industrial Disputes</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Petrol and Fuel Oil Distribution</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Atomic Energy Organisation</td>
<td>59</td>
</tr>
<tr>
<td>4</td>
<td>Food</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Future Marketing of Meat and Bacon</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Commercial Policy</td>
<td>64</td>
</tr>
<tr>
<td>6</td>
<td>Tariff Policy</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>The G.A.T.T.</td>
<td></td>
</tr>
</tbody>
</table>
1. The Foreign Secretary said that agreement had now been reached with the United States and French Governments on the basis for an approach to the Italian and Yugoslav Governments with a view to a Five-Power Conference on Trieste. There was some reason to believe that the Italians would accept a solution based on a division of the Free Territory of Trieste on the lines of the existing Zones. But the attitude of the Yugoslav Government seemed to be hardening: they were now threatening that they would take military action if any part of Zone A were handed over to Italy. Their object was to force a withdrawal of the Anglo-American declaration of 8th October: although they might ultimately accept a decision on that basis, they wished it to proceed from a conference. He was considering the possibility of suggesting that, in advance of a conference, the decision would be put into effect only to the extent of handing over to the Italians the civil administration of the City of Trieste. This would probably satisfy Italy; but Tito, despite his admission that Trieste itself was predominantly Italian, was unlikely to welcome it.

The Cabinet—

Took note of the Foreign Secretary's statement.

2. The Minister of Labour reported that tanker crews in the London area had returned to work and the troops were being withdrawn. The Cabinet were informed that the Service Ministers would prefer that no formal expression of thanks to the troops should be made in Parliament. It would be better that appropriate messages should be sent to the units concerned through Service channels.

The Cabinet—

(1) Invited the Service Ministers to send through normal Service channels messages expressing the Government's appreciation of the services rendered by troops in distributing oil in the London area during the recent strike.

(2) Took note that the Home Secretary would submit to the Prime Minister an estimate of the cost of the measures taken to deal with the emergency and of the loss which it had involved.

3. The Cabinet had before them a memorandum by the Paymaster-General (C. (53) 296) covering a draft White Paper setting out the Government's proposals for transferring responsibility for atomic energy research and production to a public Corporation.

In discussion of the terms of the draft White Paper the following points were raised:

(a) The Prime Minister said that at his invitation the Lord President had agreed to assume Ministerial responsibility for the new Corporation. A statement to this effect had been included in paragraph 14 of the draft White Paper.

(b) The Paymaster-General proposed that a paragraph should be added to the draft White Paper describing the arrangements for ordering atomic weapons in the following terms: "The arrangement about atomic weapons will be that the Ministry of Supply will be responsible for the provision of complete weapons to the Services. It will therefore arrange with the Corporation for the supply of nuclear components and for research in relation to specific weapons."
(c) The Chancellor of the Exchequer said that he would like to discuss with the Paymaster-General whether the terms of paragraph 18 of the Appendix to the White Paper could be adjusted so as to avoid the implication that salaries payable to employees of the Corporation must be such as to enable it to "compete" with industry in securing men for the higher posts. Lord Waverley might possibly agree to substitute words implying that some of the salaries would be comparable to those paid in industry.

In further discussion the Minister of Supply said that he was not satisfied that the transfer of this work to a public Corporation would secure any early advantage in practice. Little more flexibility would be secured so long as the financial control continued to rest with the Treasury. The arrangement reached about the responsibility for atomic weapons would tend to blur Ministerial responsibility. In general, he felt that Ministers had been influenced too much by the civilian, and too little by the military, aspects of atomic energy. As, however, the Cabinet had decided to proceed with the transfer, he accepted their decision.

Discussion then turned on the Parliamentary timetable for giving effect to this decision.

The view was expressed that no public announcement of the Government's decision should be made until all the details of the proposed transfer had been fully worked out and any necessary legislation was ready for introduction. By this course the Government might avoid premature debate in the House of Commons. It might, in particular, be advisable that any mention of the plan should be made in The Queen's Speech until it was certain that legislation would be required. The Paymaster-General said, however, that the proposed transfer would have to be carried out by stages. The first step would be to transfer the Ministerial responsibility from the Minister of Supply to the Lord President. All the details of this transfer had already been worked out and the necessary Order in Council had been drafted. There was no doubt that, in the second stage, legislation would be needed for the establishment of the proposed Corporation; but the preparation of this legislation, and the completion of the other administrative measures, would be facilitated if the Ministerial responsibility were first transferred. He himself hoped that the White Paper could be presented as soon as possible in order to bring to an end the present uncertainty about the Government's intentions.

After further discussion the Cabinet agreed that, on balance, the best course would be to announce the Government's intentions in The Queen's Speech, to present about 8th November an Order in Council transferring Ministerial responsibility to the Lord President, so that this transfer could become effective by 1st January, 1954, and to present the White Paper at the same time. The main debate in Parliament could then be held on the basis of the White Paper and the draft Order. The necessary legislation should be ready for introduction early in the New Year.

The Cabinet—

(1) Agreed that, subject to Her Majesty's approval, an additional paragraph should be inserted in The Queen's Speech on the Opening of Parliament in the following terms: "Proposals will be laid before you for the transfer of responsibility for atomic energy from the Ministry of Supply to a statutory Corporation."

(2) Approved the draft White Paper annexed to C. (53) 296, subject to the addition set out in paragraph (b) above and to further consideration of the point noted in paragraph (c) above.

(3) Agreed that the Order in Council under the Ministers of the Crown (Transfer of Functions) Act, transferring Ministerial responsibility for atomic energy from the
Minister of Supply to the Lord President should be laid before Parliament on about 8th November and that the White Paper should be presented to Parliament at the same time.

4. The Cabinet considered memoranda by the Minister of Food (C. (53) 298) and the Minister of Agriculture (C. (53) 299) on the arrangements to be made for the future marketing of home-produced meat and bacon after the end of meat rationing.

The Minister of Agriculture said that this was a difficult problem, which had been under discussion between the Departments concerned for some time past. In the last month, however, the National Farmers Unions (N.F.U.s) had introduced a new factor into the situation by producing firm proposals of their own. They had come down strongly against any system of deficiency payments, and had formulated a scheme for the central purchase of livestock by a producers' Marketing Board, at pre-determined fixed prices, followed by re-sale in a free market. He doubted whether it would be possible to restore the farmers' confidence in the Government's agricultural policy unless some of the main principles underlying those proposals were accepted. He had therefore devised a plan (outlined in C. (53) 299) which, while avoiding some of the difficulties inherent in the proposals of the N.F.U.s., preserved its main principles and, in particular, provided for the establishment of a producers' Marketing Board. Many of the Government's present supporters were firmly pledged, as he was himself, to the principle of agricultural marketing boards, which had been a feature of the agricultural policy of the Conservative Government before the war. The farmers had now, however, become apprehensive that the Government might abandon that principle, and he believed that their confidence in the Government would not be restored unless it were reaffirmed. The plan which he had outlined in C. (53) 299 would make it plain that the Government were prepared to encourage the establishment of producers' Marketing Boards. Further, by continuing the system of an assured market at pre-determined prices, it would provide the farmers with the security which they required. At the same time, by its provision for the re-sale of meat in a free market, it would redeem the Government's pledges to the meat traders and would restore freedom of choice to consumers. State trading by the Ministry of Food might, it was true, have to be continued during the interim period before the establishment of the producers' Marketing Board; but he hoped that the Board might be able to begin operations by the middle of 1955.

The Minister said that the farmers, remembering their experience after the end of the First World War, were genuinely nervous of the consequences of de-control. Their fears had been increased by their temporary difficulty in disposing of this season's crops, following the de-control of cereals; and they were on this account the more distrustful of the method of deficiency payments. It was these feelings which had led the N.F.U.s. to take such a firm stand against any proposals for the future marketing of meat which were based on the principle of deficiency payments—though it must be admitted that they were not yet aware of the suggestion that deficiency payments should be supplemented by a system of buttress prices.
The Minister of Food said that he was strongly opposed to the proposal that his Department should continue State trading in meat until such time as a producers' Marketing Board could be established with monopoly powers. During this interim period, under the plan proposed by the Minister of Agriculture, the Ministry of Food would be required to buy meat at fixed prices and re-sell it in a free market for what it would fetch. The Ministry would be unable to control the quality or the quantity of the meat offered by producers and would have to sell it to traders enjoying, for the first time for fourteen years, the right to refuse meat which they did not want to accept. This was a bad commercial proposition for any Government Department to undertake. Moreover, the meat traders would be bitterly opposed to this system and would therefore have every reason to increase the Department's potential losses. The producers would also have a positive incentive to increase them, since the initial amount of the Exchequer assistance to the new Marketing Board, when it was established, was to be determined by reference to the trading loss incurred by the Ministry in the last year before the establishment of the Board. Such a system would also make it necessary for the Ministry to continue to control meat imports and to engage in the bulk purchase of foreign meat during the interim period. Finally, there could be no assurance that this interim system could be brought to an end by the middle of 1955. A long and complicated procedure had to be complied with before a producers' Marketing Board could be established. If therefore the Government adopted the plan proposed by the Minister of Agriculture, it seemed likely that the Ministry of Food would still be trading in meat, at heavy cost to the Exchequer, at the time of the next General Election. Monopoly trading by a central agency was in fact open to very serious objections, as indicated in paragraph 10 of C. (53) 298. And, politically, it could be represented as a stage towards the nationalisation of the meat trade.

The Prime Minister said that he was impressed by the advantages of the plan put forward by the Minister of Food. It was in accord with the general theme of the Government's policy for relaxing controls and restoring free markets, and abandoning State trading and bulk purchase. At the same time it would honour the Government's guarantees to the farmers. It would carry out the Government's pledge to restore to meat traders the business which had been taken from them at the beginning of the war. And it would restore freedom of choice to the consumer. It did not exclude the creation of a producers' Marketing Board, though it was not based on the principle of a single Board with powers of monopoly trading.

The Prime Minister said that he was impressed by the advantages of the plan put forward by the Minister of Food. It was in accord with the general theme of the Government's policy for relaxing controls and restoring free markets, and abandoning State trading and bulk purchase. At the same time it would honour the Government's guarantees to the farmers by way of an Exchequer subsidy based on the two principles of deficiency payments and buttress prices. The farmers could insist that the Government should carry out these guarantees; but it was for the Government to determine by what methods they should do so. He himself preferred that the public should pay through taxation such sums as were required to ensure the stability of British agriculture, and that the prices which, as consumers, they paid for home-produced food should be left to be determined by the operation of a free market.

The Chancellor of the Exchequer said that the present Government were not committed to the principle of producers' Marketing Boards with powers of monopoly trading. In the Agricultural Charter published by the Conservative Party in 1948 it had been stated that "the basis of good marketing in the future should be producers' co-operation both through voluntary organisations and through statutory Marketing Boards." It had clearly been contemplated that the method would vary according to the requirements of different commodities.
The Chancellor said that the Minister of Agriculture had removed some of the worst features in the proposals put forward by the N.F.U.s., but even his modified scheme as outlined in C. (53) 299 seemed to be too ambitious. It would be highly dangerous to establish a single agency responsible for buying at fixed prices all home-produced meat, involving an annual turnover of about £300 millions, and for selling it for what it would fetch on a free market. He could not accept the unlimited liability which this would create for the Exchequer. The scheme was unsound financially and, even if it were well received by the farmers in the first instance, it would expose the Government to damaging criticism in later years. On economic and financial grounds, there could be no doubt that the system of deficiency payments and buttress prices proposed by the Minister of Food was the better plan. But it would not be easy to persuade the N.F.U.s. to accept it. They were in a difficult mood, and were disposed to reject out of hand any scheme based on the principle of deficiency payments. Further thought should therefore be given to the means of presenting such a plan to the farmers. It might be helpful if their representatives were invited to co-operate from the outset in framing long-term arrangements for promoting efficient marketing. A Marketing Council might perhaps be established to consider the problems listed in paragraph 3 of the Appendix to C. (53) 298. But if, after further consideration, Ministers felt that it would be impossible to persuade the farmers' representatives to accept a plan on the general lines proposed by the Minister of Food in C. (53) 298, the alternative course would be to set up an independent committee of enquiry to consider the whole problem.

In further discussion the following points were made:

(a) The suggestion of an independent enquiry was open to two objections. First, criticism of the Government's agricultural policy had arisen largely from the delay in announcing plans for the future marketing of home-produced foodstuffs, and it was likely to increase if one of the most important aspects of this problem were now remitted for independent enquiry. Secondly, the appointment of a committee of enquiry would mean that the Ministry of Food would have to continue for a further year the existing system of State trading in meat.

(b) The Cabinet were informed that the Government of Northern Ireland supported the plan outlined by the Minister of Agriculture in C. (53) 299.

(c) The Secretary of State for Scotland said that the Government would have difficulty, both with the farmers and with many of their own supporters in Parliament, if they appeared to reject the principle of producers' Marketing Boards. On the other hand, it was argued that the creation of Marketing Boards with powers of monopoly trading was not a suitable remedy for universal application and, if pressed as such, would be strongly opposed by some Government supporters.

(d) The Government were under no less an obligation to fulfil their pledges to the meat-traders than to carry out their undertakings to the farmers.

e) Although the balance of the economic and financial arguments might lie in favour of the plan proposed by the Minister of Food in C. (53) 298, there would be serious political difficulty in securing its acceptance. It would be unwise to confront the N.F.U.s. with it as a firm Government decision. Further thought should be given to the possibility of making adjustments and additions which might make it more acceptable to the farmers and to certain sections of Government supporters in Parliament.

The Cabinet—

(1) Agreed that policy proposals for the future marketing of meat and bacon should be worked out on the general lines of the plan proposed by the Minister of Food in C. (53) 298.
(2) Invited the Chancellor of the Exchequer to discuss with the Ministers of Food and Agriculture and the Secretary of State for Scotland and other interested members of the Cabinet, what additions and adjustments could be made to that plan with a view to making it more acceptable to the farmers and, in particular, how a system of "buttress prices" for meat and bacon would be operated in practice and how it could be reconciled with the provisions of section 5 of the Agriculture Act, 1947; and also to consider how proposals on these lines could best be presented to the farmers' representatives and to Government supporters.

(3) Agreed to resume their consideration of this problem later in the week, in the light of the results of the discussions to be undertaken in pursuance of Conclusion (2) above.

5. The Chancellor of the Exchequer said that he would be attending the Ministerial meeting of the Organisation for European Economic Co-operation (O.E.E.C.) in Paris on 29th and 30th October. He proposed to announce at that meeting the decision, reached by the Economic Policy Committee, that our trade with O.E.E.C. countries should be further liberalised to a figure of 75 per cent. He would not announce the particular commodities to which this liberalisation would apply until a later stage. This meant that the tourist allowance must be raised from £40 to £50, which was the statutory minimum laid down by O.E.E.C.

The Foreign Secretary supported the proposals of the Chancellor of the Exchequer.

The Cabinet—

Endorsed the decision regarding the liberalisation of our trade with Europe which the Chancellor of the Exchequer proposed to announce in general terms at the forthcoming meeting of O.E.E.C. in Paris.

6. The Cabinet had before them a memorandum by the President of the Board of Trade (C. (53) 300) reporting the results of a meeting of the Contracting Parties of the General Agreement on Tariffs and Trade (G.A.T.T.) which had ended on 24th October.

There had been general agreement at this meeting that no comprehensive review of the G.A.T.T. could be undertaken until the autumn of 1954. The meeting had accepted, by a majority, a protocol under which Japan and the countries signing it would undertake to treat each other as if Japan were a member of the G.A.T.T. We had abstained from voting on this resolution and should not sign the protocol. The Contracting Parties had agreed to a waiver of the "no-new-preference" rule which gave us a general dispensation from the obligation to impose duties on Commonwealth goods in cases where we imposed or raised most-favoured-nation duties on foreign goods in order to protect United Kingdom industries. This waiver was limited by conditions more stringent than those which we had proposed, but it conceded the substance of our claim. The Contracting Parties had also agreed that the period within which there could not be re-negotiation of "bound" tariffs should be extended by a further eighteen months.

The Cabinet—

Took note of this report on the results of the recent meeting of the Contracting Parties of the G.A.T.T.

Cabinet Office, S.W. 1,
27th October, 1953.