CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 29th November, 1954, at 5.30 p.m.

Present:

The Right Hon. Sir WINSTON CHURCHILL, M.P., Prime Minister.
The Right Hon. Sir ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.
The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.
The Right Hon. VISCOUNT WOOLTON, Chancellor of the Duchy of Lancaster.
The Right Hon. HAROLD MACMILLAN, M.P., Minister of Defence.
The Right Hon. VISCOUNT SWINTON, Secretary of State for Commonwealth Relations.
The Right Hon. A. T. LENNOX-BOYD, M.P., Secretary of State for the Colonies.
The Right Hon. DUNCAN SANDYS, M.P., Minister of Housing and Local Government.
The Right Hon. D. HEATHCOAT AMORY, M.P., Minister of Agriculture and Fisheries and Minister of Food.
The Right Hon. Sir DAVID ECCLES, Minister of Education.

The following were also present:
The Right Hon. SELWYN LLOYD, Q.C., M.P., Minister of Supply (Item 6).
Mr. NIGEL BIRCH, M.P., Minister of Works (Items 3-4).

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. R. M. J. HARRIS.
Mr. K. L. STOCK.
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1. The Prime Minister said that since the Cabinet's discussion on 24th November it had occurred to him that it would be convenient if Ministers could have some private talks with leading members of the Opposition on defence policy before any general statement was made on this subject in Parliament. He had had an opportunity during the week-end to mention this possibility informally to the Leader of the Opposition, whose first reaction had not been unfavourable. If, after consulting his colleagues, Mr. Attlee was able to fall in with this suggestion, it might perhaps be publicly stated in the Debate on the Address that this course was to be followed.

In discussion there was general agreement that Opposition leaders should be given the opportunity of confidential discussions on defence problems, if they were willing to accept it.

Later in the meeting the Cabinet were informed of the provisional views of the Opposition on the subjects to be raised in the course of the Debate on the Address. These suggested that the Opposition might not be anxious to force a general discussion on defence in the course of this Debate.

2. The Foreign Secretary recalled that on 27th August the Cabinet had authorised him to seek a settlement with the Ethiopian Government in respect of the Haud which, while recognising Ethiopian sovereignty, would safeguard the rights of the Somali tribes to continue their long-standing use of this area for grazing during certain periods of the year. Negotiations had now been carried to a point at which he hoped it would be possible to sign an agreement later that day with the Ethiopian Foreign Minister. Because, through long usage the Somali tribes had come to regard their grazing areas in the Haud as part of their territory, it was possible that our acceptance of Ethiopian sovereignty under the proposed agreement would lead to disturbances which would require the despatch of British troops to keep order. But the risk that this would become necessary was much less than it would be if the present opportunity were not taken to reach a settlement with Ethiopia which would include safeguards for the rights of the Somali tribes in the Haud.

There was general support in the Cabinet for the views expressed by the Foreign Secretary.

The Cabinet—

(1) Authorised the Foreign Secretary to complete the proposed agreement with the Ethiopian Government in respect of the Haud.

(2) Invited the Minister of Defence to concert measures, with the Colonial Secretary and the Governor of British Somaliland, for the prompt despatch of military reinforcements should these be required to maintain order among the Somali tribes following the publication of this agreement with Ethiopia.

3. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (54) 344) recommending that means should be sought to restrict the growing scale of Government expenditure on subsidised houses for the double purpose of reducing Government expenditure and of furthering other forms of capital investment. They also had before them a memorandum by the Minister of Health (C. (54) 348) drawing attention to the need for the further development of hospital services.
The Chancellor of the Exchequer said that, while the general economic position gave no cause for anxiety, there were some signs of a tendency towards inflation. This must be held in check. One of the measures which the Government could take to this end was so to adjust their policy as to avoid a situation in which the building industry became overloaded with competing claims for capital investment. He was on this account anxious to reduce the amount of Government expenditure on housing. There was every likelihood that the momentum which had been given to house-building by private enterprise would be maintained in 1955 and 1956. The time had therefore come to restrict the number of subsidised houses which local authorities were authorised to build; and he hoped that authorisations in 1955 could be limited to about 140,000 as against the present level of 180,000. This would leave room for further expansion of industrial investment and for meeting some of the other claims to capital investment, e.g., in roads, schools and hospitals.

The Minister of Housing said that he accepted the general objective proposed by the Chancellor of the Exchequer and was willing to adopt a total of 140,000 authorisations in 1955 as a target for his own guidance in determining the allocations to be made to local authorities for subsidised house-building. No publicity should, however, be given to this figure; for any public announcement of so low a target would be regarded by local authorities as incompatible with the Government’s intention to resume the campaign for slum clearance. Moreover, he would certainly have to make some concessions to meet representations from particular local authorities.

The Prime Minister said that he was glad that the Minister of Health had drawn the Cabinet’s attention, in C. (54) 348, to the need for further capital expenditure on hospitals. He had been impressed by the extent to which this country was falling behind others in the provision of up-to-date hospitals, and by the urgent need to improve the hospital services in London and elsewhere. He considered that a great campaign should be undertaken to improve this part of our social services as soon as the Government’s programme for pensions was completed.

The Cabinet—

Endorsed the proposals of the Chancellor of the Exchequer in C. (54) 348 for reducing the scale of future Government expenditure on housing.

Education Policy.

(Previous Reference: C.C. (54) 55th Conclusions, Minute 8.)

4. The Cabinet had before them a memorandum on education policy by the Minister of Education (C. (54) 343).

The Minister of Education said that it had been the main concern of his predecessor to provide school-places for the growing number of school-children, which was rising from 5 millions in 1947 to 6½ millions in 1957. The time had now come to tackle the problem of overcrowding in schools and to make a start on the improvement of existing schools, especially in rural areas. The programme outlined in C. (54) 343 would involve capital expenditure of not more than £5 millions in 1955, but it would secure a substantial reduction in the overcrowding at rural schools where both primary and secondary school-children had now to be taught together.

The Chancellor of the Exchequer said that Government expenditure on education had risen since the war from £224 millions to £303 millions mainly in consequence of the larger number of children of school age. He agreed that there was a strong case for proceeding with the improvements recommended by the Minister of Education in C. (54) 343, but he hoped that it would be possible to compensate for this by securing other savings in Government expenditure on education.
In discussion the following points were made:—

(a) No substantial economies could be obtained by raising the age of school-entry or lowering the age of leaving school unless the Government were willing to face the problems involved in dispensing with the services of a proportion of the existing teachers.

(b) On economic grounds there was a case for altering the present arrangement whereby the Government met the full cost incurred by local authorities in providing school meals. There were serious political objections to increasing the charges for school meals, but some savings might be secured by improving the administrative arrangements.

(c) The programme outlined in C. (54) 343 would help to maintain the supply of agricultural labour.

(d) Care should be taken to avoid unnecessary extravagance in the provision of play-grounds at schools in rural areas, where these amenities were less necessary than in the towns.

The Cabinet—

(1) Approved the programme outlined in C. (54) 343 for further capital investment on education.

(2) Invited the Minister of Education and the Secretary of State for Scotland to examine, in consultation with the Chancellor of the Exchequer, possible means of securing economies in the administration of the school meals service and in other aspects of Government expenditure on education.

5. The Cabinet considered a memorandum by the Colonial Secretary (C. (54) 360) seeking the views of his colleagues on the expediency of applying economic sanctions against Spain in response to Spanish restrictions directed against Gibraltar.

The Colonial Secretary said that the Spanish Government had introduced a series of restrictions on travel and trade between Spain and Gibraltar with the evident intention of impairing the economy of the Colony. He had considered what means were open to us to bring pressure to bear on the Spanish Government. In trade relations we were not in a position to do Spain more harm than she could do to us; and on balance he thought it would be wiser to concentrate our efforts on building up the economic strength of Gibraltar in order to reduce its present dependence on Spain. He hoped that it would be possible to accelerate the construction of new barracks which were to be built by the Army, to encourage both naval and merchant vessels, British and foreign, to call at Gibraltar, and to assist the projects for constructing new harbour works and improved bunkering facilities at Gibraltar. It was, however, for consideration whether it would also be expedient to reduce Spain’s share of the British tourist trade by adjustment of the travel allowances.

The Foreign Secretary said that in his view political issues should not be introduced into the trade talks which were now opening in Madrid. We should do nothing to discourage the flow of trade between the two countries, which now stood at a level of about £40 million a year. The best means of countering Spanish threats to Gibraltar was to reduce Gibraltar’s economic dependence on Spain and at the same time to demonstrate our determination to retain British sovereignty over the Rock. Our policy should be to show ourselves reasonable in our trade relations but firm in our support of the Colony. This policy would involve some immediate expenditure but would prove economical in the long run.
The Cabinet—

(1) Agreed that it would be undesirable to introduce political issues into the forthcoming discussions with the Spanish Government on trade and payments arrangements in 1955.

(2) Invited the Colonial Secretary, in consultation with the Chancellor of the Exchequer and other Ministers concerned, to consider what measures should be taken to render the economy of Gibraltar less dependent on Spain.

(3) Invited the Foreign Secretary to consider the legal issues raised by the encroachment of the Spanish authorities in the “neutral” zone surrounding Gibraltar.

6. The Cabinet had before them a memorandum by the Minister of Defence (C. (54) 357) on the situation arising from increasing Russian purchases of copper wire and cable.

The Cabinet were reminded that, as part of a wider relaxation of strategic controls on trade with the Soviet bloc, the embargo had recently been lifted on exports of copper wire and cable, but not of other forms of copper. Since then Russia and her satellites had placed, or were negotiating, such large orders for copper wire and cable, particularly of heavy calibre, as to suggest that they might be using this expensive method of building up a stockpile of copper. As a result, the United States Government and the Governments of other countries represented on the Paris Consultative Group on Security Controls were pressing for the restoration of the embargo on copper wire and cable. We were already involved in a disagreement with the United States Government about control over the delivery of ships to countries in the Soviet bloc. If, in these circumstances, a compromise were considered to be desirable, this might take the form of establishing a global quota for total exports of copper wire and cable from the Paris Group countries to the Soviet bloc; but it would then be necessary to ensure that Chile, which was not represented on the Paris Group, did not supply the copper wire and cable which would otherwise be supplied from Paris Group countries. A quota figure of 20,000 tons might be sought in the first instance, but it might be necessary to accept a lower figure in the course of the discussions. The point was made, however, that, unless the quota were of the order of 20,000 tons, it was very unlikely that United Kingdom exporters would secure any appreciable proportion of the trade.

On the other hand, the view was expressed that the reimposition of control over exports of copper wire and cable to the Soviet bloc would be severely criticised in commercial circles in this country, and would by itself be difficult to justify. Thus, the recent lifting of the embargo on these commodities had formed part of a general agreement under which exports of raw and semi-processed copper continued to be prohibited. The quantities of copper wire and cable which had so far been ordered by countries of the Soviet bloc were relatively insignificant when compared with, for example, total annual consumption of copper wire and cable in the United States or even in this country. Moreover, far larger quantities of raw copper were in practice being exported illicitly to Soviet bloc countries, and the creation of a Soviet stock-pile of copper could be frustrated far more effectively by the introduction of transaction controls than by reimposing restrictions on the export of copper wire and cable. It was suggested that all outstanding matters in the field of strategic controls—including shipping and rolling mills as well as copper—should be considered together and made the subject of balanced proposals which should also include an offer to introduce transaction controls.
controls. Comprehensive proposals of this nature might well include, if necessary, an offer to impose a ceiling on exports of copper wire and cable to the Soviet bloc. The details of any such balanced proposals would need to be worked out in further discussion between the Ministers directly concerned.

The Cabinet—

Agreed that detailed proposals covering copper wire and cable and other outstanding matters concerning strategic controls should be worked out by Ministers representing the Treasury, Foreign Office, Ministry of Defence, Board of Trade, Admiralty and Ministry of Supply, and submitted for the Cabinet's approval.

7. The Cabinet considered a memorandum by the Foreign Secretary (C. (54) 367) setting out the arguments for and against proceeding in present circumstances with the plan for raising the problem of Quemoy in the Security Council.

The Foreign Secretary said that the United States Government and the Chinese Nationalists were now ready to issue a joint statement about the conclusion of a mutual security treaty between them. It was, therefore, necessary for us to decide whether, when this statement had been made, we should be prepared to co-operate in the plan for raising the problem of the coastal islands in the Security Council. On the information at present available, he could not regard either the mutual security treaty or the exchange of letters accompanying it as entirely satisfactory from our point of view. To proceed with the Security Council plan in these circumstances might well involve us in public disagreement with the United States Government. The Foreign Secretary therefore recommended that he should inform the United States Government that we could not at present agree to the proposed operation in the Security Council, but that we should be prepared to reconsider it when there had been time to assess the reaction in Peking to the conclusion of the mutual security treaty. If his colleagues agreed to his communicating with the United States Government on these lines, it would be necessary for the New Zealand Government to be informed of our views at the same time.

The Cabinet—

Took note of C. (54) 367 and of the Foreign Secretary's statement, and agreed that communications should now be addressed to the United States and New Zealand Governments on the lines proposed.