CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 19th April, 1955, at 11 a.m.

Present:

The Right Hon. Sir Anthony Eden, M.P., Prime Minister.
The Right Hon. R. A. Butler, M.P., Chancellor of the Exchequer.
The Right Hon. Viscount Kilmar, Lord Chancellor.
The Right Hon. James Stuart, M.P., Secretary of State for Scotland.
The Right Hon. Selwyn Lloyd, Q.C., M.P., Minister of Defence.
The Right Hon. Peter Thorneycroft, M.P., President of the Board of Trade.
The Right Hon. Osbert Peake, M.P., Minister of Pensions and National Insurance.

The following were also present:
The Right Hon. John Boyd-Carpenter, M.P., Minister of Transport and Civil Aviation (Item 2).
The Right Hon. Patrick Buchanan-Hepburn, M.P., Parliamentary Secretary, Treasury (Items 1-3).

Secretariat:
The Right Hon. Sir Norman Brook.
Mr. R. M. J. Harris.
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1. The Cabinet were informed of the business to be taken in Parliament during the remaining weeks of the present session.

In the House of Commons Government business would receive precedence on Fridays; this would enable the customary four days of general debate on the Budget resolutions to be completed during the present week. If the Opposition should be unwilling to co-operate in carrying through the Finance Bill during the following two weeks, it would be necessary to table a motion for a compulsory time-table and to debate this on 25th April. It was hoped that time would also be found to pass the National Insurance (No. 2) Bill and to complete proceedings on the Oil in Navigable Waters (Lords) Bill. The Cabinet agreed that no time could be found for the discussion by the House of Commons of any Lords' amendments to Bills, and that any Bills which the House of Lords could not pass in their present form must be left over until the next Parliament.

2. The Minister of Labour said that, as a result of the meeting of Trades Union representatives convened on the previous day by the Chairman of the Trades Union Congress, a meeting was being held that morning between Trades Union representatives and representatives of the Newspaper Proprietors' Association (N.P.A.). The Unions were understood to be ready to order an immediate return to work on condition that the N.P.A. agreed to enter into immediate negotiations upon outstanding matters. It was possible that a resumption of work could be arranged on this basis.

The Minister of Labour said that the British Transport Commission had now invited the Associated Society of Locomotive Engineers and Firemen (A.S.L.E.F.) to reconsider their decision to call a strike of their members on 1st May in protest against an award of the Railway Staff National Tribunal on wage differentials on the railways. The Tribunal's award had been accepted by the National Union of Railwaymen (N.U.R.) and there seemed to be a fair prospect that N.U.R. members would not join the threatened strike unless they had reason to believe that some concession might be made to A.S.L.E.F. The Minister said that, while he did not propose to take any immediate initiative, he might soon find it expedient to inform A.S.L.E.F. that the situation offered no scope for conciliation by his Department and that, if they adhered to their decision to strike, which had been taken, though not made public, before the recent announcement of the impending dissolution of Parliament, they would be interfering with the processes of democratic government in this country.

The Minister of Transport said that the Transport Commission shared the view that the N.U.R. would not take part in the strike unless something was said on behalf of the Commission or the Government which gave rise to the belief that some concession might be forthcoming. If a strike of members of A.S.L.E.F. alone should take place, the standard of the railway services which could be maintained would vary greatly between one part of the country and another and would range from a virtually complete stoppage in the west to the minimum of interference in the London area.

The Minister of Fuel and Power said that, while the consequences of a railway strike would not be so grave now as in the winter, they would still be serious and after a week or so unemployment would increase as factories found it necessary to close down through lack of fuel.

There was general agreement in the Cabinet that the Government should be careful to refrain from taking any action which might encourage the idea that the present tactics of A.S.L.E.F. might be successful.
The Minister of Labour said that the continuing rivalry between the Transport and General Workers' Union and the National Association of Stevedores and Dockers might at any time give rise to renewed trouble in the docks. The immediate problem was whether the employers in the Merseyside area should recognise the Stevedores' Union for purposes of negotiations on wages and conditions. He was taking such action as was open to him to induce the leaders of the Transport and General Workers' Union to adopt a more reasonable attitude in their dealings with the Stevedores' Union.

The Cabinet—

Took note of these statements.

3. The Chancellor of the Exchequer said that, in the light of the views expressed by his colleagues in the Cabinet's discussion on the previous day, he had considered very carefully whether he could announce in his Budget speech any further concession on purchase tax which might help to relieve the current difficulties of the cotton industry. He had, however, come regretfully to the conclusion that it would not be expedient to reduce the purchase tax on cotton cloth below 25 per cent. Any reduction below that figure would, he felt sure, be criticised by the Opposition, who were well aware of the practical reasons which had determined the current ratio of 2:1 between the tax on cloth and the tax on made-up goods. They would realise that, if the tax on cloth were lower than that on made-up goods, the way would be opened to widespread evasion. In his Budget speech therefore he proposed to go no further on this point than to announce that the rate of tax on cotton cloth would be reduced by Order to 25 per cent. He would, however, continue to consider whether he could make any further concession which might help to relieve the difficulties of the cotton industry. If any different form of relief could be devised, this could be announced at a later stage, when the purchase tax Order was debated.

In discussion it was agreed that some general statement on the difficulties of the cotton industry might have to be made in the course of the Budget debate. The Cabinet agreed that the President of the Board of Trade, if he spoke in the debate, might make a statement following, in substance, the lines of the draft which the Cabinet had had before them on the previous day. They recognised that the subject could be treated more broadly in a speech than in a statement made at the end of Questions.

The Cabinet—

(1) Took note that the Chancellor of the Exchequer would continue to consider whether he could make any further adjustment in purchase tax, which might help to relieve the current difficulties of the cotton industry, in addition to the reduction in the rate of purchase tax on cotton cloth which he was proposing to announce in his Budget statement that afternoon.

(2) Invited the President of the Board of Trade to discuss with the Prime Minister the terms of the statement which he might make later in the Budget debate on the current difficulties of the cotton industry.

4. The Foreign Secretary said that the Soviet Government had been unusually forthcoming in their attitude towards the Austrian delegation which had recently visited Moscow. It was evident that, whatever their motives, they were now ready to end the military occupation of Austria and to conclude an Austrian State Treaty. It was open to us to represent this, as the United States Government
were already doing, as a reward for the policy of patient firmness which the Western Powers had followed in respect of Austria. But we should not overlook the possibility that the Russians' real purpose was to put themselves in a better position to offer independence for a united Germany on a similar basis of military neutrality. It was important that the proposed provision for Austrian neutrality should be so framed that it would not prevent Austria from joining European organisations, such as the Council of Europe or the Organisation for European Economic Co-operation, which had no military purpose. Sweden rather than Switzerland should be the model for Austria's neutrality.

No time should be lost in following up the offer made by the Soviet Government. The Ambassadors of the Occupying Powers should meet this month in Vienna, together with representatives of the Austrian Government, to work out a revised text of the Treaty and to clear the way for its signature before the end of May.

The Cabinet—

Took note of the Foreign Secretary's statement.

5. The Cabinet had before them a note by the former Foreign Secretary (C. (55) 83) indicating the subjects which might be considered at a Four-Power meeting with the Russians and outlining the objectives at which the Western Powers should aim on each.

The Foreign Secretary said that he still hoped that the ratifications of the Paris Agreements would be concluded by 5th May, so that the German Federal Republic could be admitted to the North Atlantic Treaty Organisation before the end of the forthcoming meeting of the North Atlantic Council. In that event the Foreign Ministers of the three Western Powers could meet thereafter, in the first instance alone and subsequently with a representative of Germany, to settle the terms of an invitation to the Soviet Government to attend a Four-Power meeting. With this in view he was suggesting that before the end of April there should be a preliminary meeting of officials at which views could be exchanged on the date and place for a Four-Power meeting and on the nature of the agenda.

The Cabinet—

(1) Took note with approval of the steps which the Foreign Secretary was taking in preparation for a Four-Power meeting.

(2) Approved the memorandum annexed to C. (55) 83 as a basis for the instructions to be given to the United Kingdom representatives in the preparatory meeting of officials which it was proposed to hold later in the month.

6. The Foreign Secretary said that, as his colleagues would have seen from Canberra telegrams Nos. 368 and 369, the Prime Minister of Australia was disposed to pursue his project for a joint guarantee of the security of Formosa, despite the objections which had been put to him in pursuance of the Cabinet's decision of 12th April. It was possible that he had gone some way towards committing himself to this project in his personal exchanges with the United States Secretary of State. He was, however, unlikely to be able to enlist support for this course from the Canadian or New Zealand Governments, and it was still open to us to put forward an alternative. The United States Government would be satisfied with something less than a formal guarantee: what they needed was the
moral support of the Commonwealth countries, not their military help; and it should not be impossible to work out the terms of a public statement which would satisfy the United States Government—based partly on respect for our obligations as a member of the United Nations and partly on the possibility that, through a Four-Power meeting, means would be found of arranging some international discussion of the situation in the Formosa Straits. Meanwhile, however, we must be prepared for the possibility that the Chinese Communists might launch a sudden attack on the coastal islands at a time when United Kingdom Ministers were dispersed for the Election campaign. In that event an immediate statement would have to be made on behalf of the United Kingdom Government, and it was desirable that its terms should have been approved in advance by Ministers and, if possible, agreed with the United States Government.

The Foreign Secretary said that he was preparing drafts of both these statements and hoped to be able to submit them for the Cabinet's approval at their next meeting.

The Prime Minister said that the statement to be made in the event of a sudden attack on the coastal islands might follow the general line taken by the Canadian Secretary of State for External Affairs in speeches which he had made on 25th January. The other pronouncement, on possible means of easing the international tension in the Formosa Straits, should if possible be made before Parliament was dissolved.

The Cabinet—

Agreed to resume their discussion of this question at a later meeting.

7. On 11th April an Indian airliner, which was carrying part of the Chinese Communist Delegation to the Afro-Asian Conference at Bandung, had crashed off the coast of Indonesia. The only survivors were three members of the crew. The Chinese Communist Government had on 10th April informed Her Majesty's Chargé d'Affaires in Peking that they had reason to believe that Chinese Nationalists would attempt to interfere with this party while the aircraft was in Hong Kong and had asked him to arrange for appropriate precautions to be taken there. After the accident the Peking Government had at once alleged that it was due to sabotage carried out in Hong Kong by United States and Chinese Nationalist agents for the purpose of disrupting the Afro-Asian Conference. They had asked that urgent enquiries should be made into the causes of the accident and into the precautions which had been taken in Hong Kong to prevent it.

The Prime Minister said that he had received a message from the Prime Minister of India suggesting that we should do everything we could to assist in establishing the causes of this accident. As the aircraft had crashed in Indonesian waters, the primary enquiry must be carried out under the auspices of the Indonesian Government; but we should offer them any technical assistance they might need and should ourselves carry out supplementary enquiries in Hong Kong.

The Colonial Secretary said that enquiries had already been undertaken in Hong Kong. In view, however, of the allegations which were now being made, he would suggest to the Governor that these should be put on a more formal basis; and he would also consider, in consultation with the Minister of Civil Aviation, whether any technical assistance could usefully be offered either to the Governor of Hong Kong or to the Indonesian Government.
The Cabinet—

(1) Took note that the Colonial Secretary would at once arrange for a formal enquiry to be held in Hong Kong into the allegation that the loss of this aircraft was due to a failure by the authorities in Hong Kong to take adequate precautions against the risk of sabotage.

(2) Invited the Colonial Secretary to consider, in consultation with the Minister of Civil Aviation, whether the Governor of Hong Kong or the Indonesian Government could usefully be offered any technical assistance in carrying out their enquiries into the causes of this accident.

(3) Invited the Colonial Secretary to prepare, in consultation with the Commonwealth Secretary, the draft of a reply which the Prime Minister might send to the message on this subject which he had received from the Prime Minister of India.

8. The Cabinet had before them memoranda by the Colonial Secretary (C. (55) 92) and the former Foreign Secretary (C. (55) 93) on future policy in respect of Cyprus.

The Colonial Secretary said that the public statement on constitutional advance in Cyprus, which was proposed in paragraph 12 of his memorandum, was designed to end the present stalemate. Meanwhile, however, the position had been altered somewhat by the disturbances which had broken out in the island, and the Cabinet would wish to consider whether his proposals were still appropriate and, in particular, whether this was the right moment at which to put them forward. It would be possible, though not easy, to take no further step towards constitutional advance in the immediate future. In that event, however, there would be a continuing risk of some incident which might result in a serious deterioration of the position. The course recommended in his memorandum seemed to have some prospect of achieving success but, if it should fail to obtain Greek support or acquiescence, the renewed attempt to introduce a constitution would almost certainly prove abortive. If the Cabinet should consider that the scheme outlined was not sufficiently imaginative, it might be possible to combine with it an offer to discuss such other possibilities as a cultural convention or dual nationality. If the Cabinet decided to go forward, we should explain our intentions to the Turkish Government and try to secure their co-operation or acquiescence. Advance warning might also be given to the King of the Hellenes. We should also seek an assurance of support from the United States Government.

The Foreign Secretary said that he would prefer to make no further move towards constitutional change in Cyprus until we could be assured of an international atmosphere in which it would have some chance of success. Timing seemed to him to be of more importance than the exact form of the constitutional proposals themselves. While he agreed that some move would have to be made before the next meeting of the General Assembly of the United Nations, he doubted whether any statement of the Government's intentions would carry much weight if it were made in the last few weeks of the present Parliament.

Discussion showed that there was general support in the Cabinet for the view that any fresh initiative in respect of Cyprus would be better deferred for the time being.

The Cabinet—

Deferred a decision on the proposals outlined in C. (55) 92 and 93.

Cabinet Office, S.W. 1,
19th April, 1955.