CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 2nd April, 1957, at 11 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister.


The Right Hon. SELWYN LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs.

The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations and Lord President of the Council.

The Right Hon. DUNCAN SANDYS, M.P., Minister of Defence.

The Right Hon. D. HEATHCOAT AMORY, M.P., Minister of Agriculture, Fisheries and Food.

The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs.

The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.

The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.

The Right Hon. PETER THORNEYCROFT, M.P., Chancellor of the Exchequer.

The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.

The Right Hon. Sir DAVID ECCLES, M.P., President of the Board of Trade.

The Right Hon. IAIN MACLEOD, M.P., Minister of Labour and National Service.

The Right Hon. LORD MILLS, Minister of Power.

Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The following were also present:

The Right Hon. JOHN HARE, M.P., Secretary of State for War (Item 2).

The Right Hon. AUBREY JONES, M.P., Minister of Supply (Item 2).

Mr. CHRISTOPHER SOAMES, M.P., Parliamentary Secretary, War (Item 2).

General Sir GERARD TEMPLER, Chief of the Imperial General Staff (Item 2).

The Right Hon. GEORGE WARD, M.P., Secretary of State for Air (Item 2).

The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.

Admiral of the Fleet The Right Hon. The EARL MOUNTBATTEN OF BURMA, First Sea Lord and Chief of Naval Staff (Item 2).

Air Chief Marshal Sir DERMOT BOYLE, Chief of the Air Staff (Item 2).

Secretariat:

The Right Hon. Sir NORMAN BROOK.

Mr. B. ST. J. TREND.

Mr. H. O. HOOPER.

Mr. J. M. WILSON.
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Lord Salisbury.

Statement on Defence, 1957.
(Previous Reference: C.C. (57) 26th Conclusions, Minute 1.)

1. The Prime Minister said that Lord Salisbury had come to the conclusion that he could not support the Cabinet's decision to terminate the detention of Archbishop Makarios in the Seychelles (C.C. (57) 25th Conclusions, Minute 4) and had decided on that account to resign from the Government.

The Prime Minister said that he felt sure that all his colleagues in the Cabinet would have learned of Lord Salisbury's decision with regret. They would feel deeply the loss of his support and counsel. For him personally it was a great sorrow to be parted from a colleague and friend with whom he had worked in harmony for so many years.

2. The Cabinet had before them a note by the Secretary of the Cabinet (C. (57) 84) covering a revised draft of the Statement on Defence, 1957, and a further revised draft which was handed round by the Minister of Defence at the meeting.

The Cabinet considered the latest draft paragraph by paragraph, and various detailed amendments were suggested and approved.

In discussion the following points of substance were made:—

(a) It would be desirable to give rather more emphasis to the essential role of civil defence.

(b) The omission of any reference to the strategic stockpile of food could be accepted. A decision should however be taken in the near future about the policy of stockpiling food and oil, not only for major war but also for limited emergencies.

(c) The Chiefs of Staff said that the paragraphs dealing with manpower did not make it sufficiently clear that the proposed reduction in the total size of the Forces was dictated primarily by economic considerations and could not, in their view, be justified on military grounds alone. The point would be met if the opening part of paragraph 45 in the draft circulated under C. (57) 84 was inserted at the beginning of paragraph 46 of the later draft.

(d) It would be desirable to include a figure for the target strength of the all-regular Forces in 1962, since a more general statement was likely to give the impression that the total strength would be below the target figure envisaged. Account should also be taken of Colonial forces and other personnel recruited overseas, which were of value in meeting overseas defence commitments. The method of expressing this point should be considered further by the Minister of Defence in consultation with the Foreign Secretary.

(e) The Supreme Allied Commander, Europe, had already been informed that the two Territorial Army Divisions at present earmarked as reinforcements for Europe in a global war could not be provided. He had not expressed concern about this decision since he realised that the units could not be trained and transported to Europe in time to make a significant contribution. From the point of view of maintaining the morale of the Territorial Army, however, it would be important to emphasise that the units would still be trained as fighting formations although their primary assignment would be to home defence.

(f) In the paragraphs dealing with research and development it would be desirable to include examples of the projects which were to be abandoned in order to curtail demands on scarce manpower and resources. On the other hand it might be unwise at this stage to state categorically that there would never be a requirement for supersonic bombers or for further developments in fighter aircraft, since there could be no certainty that guided weapons and ballistic rockets would meet all future needs.

(g) While it would be important to state that the recent agreement with the United States for the supply of ballistic missiles
would afford us a welcome economy of both time and money; specific references to the possible scope of the future programme of joint research with the Americans in this field should be avoided at this stage.

(h) The Minister of Defence emphasised that the success of the new policy depended entirely on the reduced forces being well equipped and on the necessary steps being taken to encourage regular recruitment. From the latter point of view it would be essential to offer terms of compensation which were patently fair to the officers and other ranks whose services were prematurely terminated as a result of the reduction in the forces.

(i) In previous years the Statement on Defence had included a number of statistical tables. These would now be published as a separate White Paper at a later date.

(j) The Australian Prime Minister had asked for advance information about the proposals in the White Paper since there was to be a debate on defence in the Australian Parliament on 4th April. It was agreed that this request should be met and that summaries should also be sent in confidence to the Governments of Canada and New Zealand through the United Kingdom High Commissioners.

(k) Advance information about the proposals in the White Paper should also be given to the Governments of the members of Western European Union and the North Atlantic Alliance through H.M. Ambassadors to the countries concerned, who could take the opportunity of explaining particular points of interest to the individual countries.

The Cabinet—

(1) Invited the Minister of Defence, in consultation with the Foreign Secretary, to consider further the drafting of the paragraph about the strength of the all-regular forces in 1962.

(2) Subject to Conclusion (1) above, approved the draft Statement on Defence, 1957, as amended in discussion.

(3) Agreed that the Statement on Defence, 1957, should be published on 4th April.

(4) Took note that the statistical tables relating to defence expenditure and manpower would be published later as a separate White Paper.

(5) Invited the Commonwealth Secretary to arrange for the Governments of Canada, Australia and New Zealand to be given in confidence advance information of the proposals in the Defence White Paper.

(6) Invited the Foreign Secretary to arrange for H.M. Ambassadors in the countries concerned similarly to inform the other members of the Western European Union and the North Atlantic Treaty Organisation.

3. The Minister of Labour said that the Executive Committee of the Confederation of Shipbuilding and Engineering Unions had now decided to recommend to the unions concerned that strike action should be suspended while the Courts of Enquiry were sitting. This recommendation had still to be considered by the unions, and their response was unpredictable. The attitude of the Amalgamated Engineering Union would probably decide the issue.

The Cabinet—

Took note of this statement.
4. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The Chancellor of the Exchequer would open his Budget on 9th April. The debate on the Budget resolutions would occupy the succeeding two days and would be completed on 15th April.

Parliament would be adjourned for the Easter recess from 18th April to 30th April.

5. The Cabinet had before them a note by the Chancellor of the Exchequer (C. (57) 85) covering a report by officials on the reinstatement of facilities for certain current payments between residents of the sterling area and Egypt.

In a preliminary discussion it was agreed that, although the technical preparations for the introduction of the proposed No. 3 Account should continue to be studied, it would be premature to authorise the Bank of England to open discussions with the National Bank of Egypt with a view to the establishment of such an Account until the prospect of reaching a satisfactory settlement of the future administration of the Suez Canal could be more accurately assessed.

The Cabinet—

(1) Invited the Chancellor of the Exchequer, in consultation with the Foreign Secretary, to arrange for further consideration to be given to the technical preparations for the introduction of a No. 3 Account for current payments between the sterling area and Egypt, on the understanding that no communication on this subject would be made for the time being to the National Bank of Egypt.

(2) Agreed to resume their discussion of C. (57) 85 at a later meeting.

6. The Cabinet had before them a memorandum by the Foreign Secretary (C. (57) 87) recommending that authority should be given for the release to the Sudan Government of £15 millions of the Egyptian sterling balances in connection with the redemption of the Egyptian currency at present circulating in the Sudan.

The Foreign Secretary said that any release from the Egyptian sterling balances would diminish the Egyptian funds available to meet the claims of British subjects whose assets had been sequestrated in Egypt. On the other hand, the Sudan Government considered that they had a valid claim in equity to a proportion of the Egyptian sterling balances which had accrued during the period when the two countries had constituted a single monetary unit, and we had already undertaken to release to the Sudan, in connection with the redemption of Egyptian currency, any sum which was acceptable to the Egyptian Government. The latter had now agreed to the release of a sum sufficient to redeem the whole of the Egyptian currency in question, which the Sudan Government estimated at £20 millions.

It was in our interests to retain the good will of the Sudan Government, both for the sake of our air staging rights at Khartoum and because of the strategic position which the Sudan occupied in Africa. He recommended, therefore, that the claim of the Sudan Government should be met by an offer to release £15 millions from the Egyptian sterling balances, either in one sum or in instalments of £10 millions forthwith and the remainder at the end of the year.

The Chancellor of the Exchequer said that he accepted the need for the proposed release, despite the reduction in the Egyptian assets
which would remain under our control. A single payment of £15 millions would be preferable to a release in two instalments, if it were understood that this would represent a final settlement of the question.

The Cabinet—

Approved the release to the Sudan Government of £15 millions, in a single sum, from the Egyptian sterling balances, in final settlement of their claim in connection with the redemption of Egyptian currency circulating in the Sudan.

Cabinet Office, S.W.1.

2nd April, 1957.