



(c) crown copyright

Printed for the Cabinet. February 1957

SECRET

Copy No. 40

C.C. (57)

8th Conclusions

CABINET

*CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 7th February, 1957, at 11.30 a.m.*

Present:

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

The Most Hon. The MARQUESS OF SALISBURY, Lord President of the Council.

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. DUNCAN SANDYS, M.P., Minister of Defence.

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

The Right Hon. VISCOUNT HAILSHAM, Q.C., Minister of Education.

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

The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department and Lord Privy Seal.

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.

The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland.

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.

Also present:

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

*Secretariat:*

The Right Hon. Sir NORMAN BROOK.  
Mr. B. St. J. TREND.  
Mr. H. O. HOOPER.

## CONTENTS

<i>Minute No.</i>	<i>Subject</i>	<i>Page</i>
1	Parliament ... ..	3
2	Monetary and Commercial Policy ... ..	3
3	Foreign Affairs ... .. Suez Canal. Israel. Western European Union. Aden.	3
4	Germany ... .. Support Costs.	4
5	Ghana ... ..	4
6	East-West Trade ... .. Copper wire.	5
7	Education ... ..	5

**Parliament.**

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

**Monetary and Commercial Policy.**

(Previous References: C.M. (56) 14th Conclusions, and C.M. (56) 85th Conclusions, Minute 6.)

2. *The Chancellor of the Exchequer* said that a reduction in bank rate from 5½ per cent. to 5 per cent. would be announced that day. It was important that this reduction should be understood as a technical measure designed to reinforce the Government's monetary policy, and that it should not be interpreted as an indication that the pressure on the economy and on the balance of payments had significantly diminished.

A White Paper on the attitude of the United Kingdom Government towards the proposed common market and free trade area in Europe would be published on the following day. It would set out the basis on which he and the President of the Board of Trade proposed to approach the discussions which were due to take place in Paris shortly, and it would place publicly on record our reservations against bringing agricultural products within the scope of a free trade area.

**The Cabinet—**

Took note of these statements by the Chancellor of the Exchequer.

**Foreign Affairs.**

Suez Canal.  
(Previous Reference: C.C. (57) 7th Conclusions, Minute 6.)

3. *The Foreign Secretary* said that the United States Government now appeared to be convinced that Canal dues should be paid to a neutral authority such as the International Bank under an arrangement which would provide for half the sums received to be paid over immediately to the Egyptian Government and the other half to be held in trust by the receiving authority until a basis for the future operation of the Canal had been settled. The possibility could not, however, be excluded that we might still be pressed to agree that all dues should be paid direct to the Egyptian Government.

The Cabinet agreed that, as the clearance of the Canal might now be ahead of schedule, every effort should be made to induce the United States Government to press for a satisfactory agreement to govern the payment of dues. The speed with which the Canal could be restored to use would depend both on the extent of the damage which had been suffered by the shore installations and on re-establishing agency services for shipping in the Canal area. The Minister of Transport was considering these matters.

Israel.  
(Previous Reference: C.C. (57) 4th Conclusions, Minute 2.)

*The Foreign Secretary* said that, while we had supported the resolutions urging Israel to withdraw her forces which had been tabled in the General Assembly of the United Nations in the previous week, it would be more difficult to decide our attitude on any subsequent resolution invoking sanctions against Israel for non-compliance. Our best course would probably be to argue that it was premature to consider using sanctions. But it would also be necessary to press the United States Government, who were unlikely to favour recourse to sanctions, to use their influence in the Assembly to prevent any premature decision.

Western European Union.  
(Previous Reference: C.C. (55) 5th Conclusions, Minute 5.)

*The Foreign Secretary* said that the meeting of the Foreign Ministers of the countries in the Western European Union which would shortly take place in London would provide the opportunity for explaining to the other member countries our intentions about the level of the forces which we proposed henceforward to maintain in Europe. The justification which we should advance for reducing our forces should be discussed primarily in political rather than in military terms; but a meeting of Defence Ministers might be of advantage at a later date.

Aden.  
(Previous  
Reference:  
C.C. (57) 2nd  
Conclusions,  
Minute 1.)

*The Foreign Secretary* said that further reflection about the suggestion that we should invite the United Nations to station observers in the frontier areas between the Aden Protectorate and the Yemen had confirmed his earlier conclusion that it would not be to our advantage to do so. It would not be possible to exclude representatives of countries in the Soviet *bloc* from any body of observers appointed by the United Nations, and it was undesirable to create a precedent which might have damaging results elsewhere. The situation on the frontier was not out of control, and at present the degree of unrest was less than on some previous occasions. It was in our interest that the matter should be presented in this light.

*The Colonial Secretary* said that he agreed with this view. Steps had been taken to reinforce the ground armament of our frontier posts.

The Cabinet—

Took note of the Foreign Secretary's statements and of the points made in discussion.

Germany.  
Support Costs.  
(Previous  
Reference:  
C.C. (57) 4th  
Conclusions,  
Minute 5.)

4. *The Foreign Secretary* said that it was desirable that the negotiations which had been proceeding with the Federal German Government over their contribution towards the support costs of our troops in Germany should be concluded as soon as possible. The outstanding points were minor and, if they were allowed to prolong the negotiations, the degree of agreement already reached would be jeopardised. He therefore sought authority to dispose of these points on the best terms that could be obtained and thereafter to conclude the negotiations on the basis of a contribution as close as possible to £50 millions. Although the exact reductions which we proposed to make in the number of our troops in Germany had not been disclosed to the Federal German Government, we had informed them in general terms of our intentions, and it would be possible for either Government to demand a review of the agreement if our actual expenditure varied substantially from the present estimated figure of £57 millions. There was little danger, therefore, of our exposing ourselves to a charge that we had misled the German Government in not disclosing in detail the reductions which we proposed to make.

The Cabinet agreed that a settlement of this matter should now be sought without delay on the basis proposed by the Foreign Secretary.

The Cabinet—

Authorised the Foreign Secretary to expedite, on the basis which he had outlined, the conclusion of the negotiations with the German Government on support costs.

Ghana.  
(Previous  
Reference:  
C.C. (57) 7th  
Conclusions,  
Minute 4.)

5. *The Colonial Secretary* said that the purpose of his recent visit to Accra had been to allay the anxiety among the Ashanti and the tribes in the Northern territories that their local traditions and institutions would not be preserved under the new Constitution for Ghana. A satisfactory agreement had been reached as a result of his intervention. But the Prime Minister of the Gold Coast had subsequently proposed to adopt certain provisions which would nullify the safeguards introduced to cover the interests of the Ashanti and the Northern territories and had sent two of his Ministers to London to discuss these proposals. After further discussion, agreement on all points had been restored. Every possible step had been taken to entrench in the Constitution safeguards for the rights of the tribal and regional peoples. The White Paper setting out the constitutional proposals for the Gold Coast would be published forthwith.

The Cabinet would welcome the suggestion by H.R.H. the Duchess of Kent that she should extend her forthcoming visit to the Gold Coast on the occasion of the independence celebrations in order to visit the Ashanti and Northern territories. Such a visit would do much to allay inter-regional suspicions, and would make an important contribution towards a successful start for Ghana as an independent State.

The Cabinet—

Took note of the Colonial Secretary's statement.

**East-West  
Trade.**

Copper Wire.

(Previous

References:

C.M. (56) 68th

Conclusions,

Minute 4, and

C.M. (55) 5th

Conclusions,

Minute 9.)

6. The Cabinet had before them memoranda by the President of the Board of Trade (C. (57) 22) and the Foreign Secretary (C. (57) 26) about the export of copper wire to Russia.

*The President of the Board of Trade* said that, since copper wire was freed from embargo in August 1954, United Kingdom exports to the Soviet Union had risen from 5,000 tons in 1954 to 40,000 tons in 1956. Of the 40,000 tons, 33,000 tons had been sold by Crompton Parkinson and the balance by Aberdare Cables against a licence for 10,000 tons. For 1957 Crompton Parkinson had been promised a licence for 40,000 tons, and Aberdare Cables were applying for a licence for 10,000 tons. Although the United States Government were pressing for a sharp curtailment in the export of copper wire to Eastern Europe, it would be difficult to refuse the application of Aberdare Cables without being accused of favouring Crompton Parkinson. Moreover, the Soviet Union could probably place the order elsewhere without difficulty.

*The Foreign Secretary* said that, in view of the sharp rise in our export of copper wire to the Soviet Union since 1954, the United States Government would be liable to take offence at any further increase. If, however, deliveries by Crompton Parkinson could be so spaced that they would not exceed in the current year the amount delivered last year, the balance being delivered in 1958, the proposal might be more acceptable.

In discussion there was general agreement that we should seek to avoid any occasion of dispute with the United States Government at a time when friendly relations between the United States and this country were being restored. On the other hand, the refusal of a licence to Aberdare Cables would deprive this country of a valuable export and might endanger employment in a Development Area without necessarily reducing the supply of copper wire to the Soviet Union. It was therefore desirable to seek to arrange the delivery dates of the consignments supplied both by Crompton Parkinson and by Aberdare Cables in such a way that we could claim that we were not permitting any significant increase in the export of copper wire to the Soviet Union during 1957 over the quantities actually exported in 1956.

The Cabinet—

Invited the President of the Board of Trade to give further consideration to the proposed export of copper wire to the Soviet Union on the basis suggested in their discussion.

**Education.**

(Previous

References:

C.C. (57) 7th

Conclusions,

Minute 1, and

C.M. (56) 40th

Conclusions,

Minute 11.)

7. The Cabinet had before them a memorandum by the Minister of Education (C. (57) 23) on future educational policy.

*The Minister of Education* said that he endorsed the approach to this question outlined in the memorandum by his predecessor (C.P. (56) 278). In terms of educational structure and of expenditure on education per head of the population we compared unfavourably with many other countries. An increase in expenditure on buildings, teachers and, ultimately, university awards was essential if we were to match the educational achievement of our competitors and, in

particular, to accommodate in the secondary schools the "bulge" which was now passing out of the primary schools. In addition, we must contemplate making it possible for any child who wished to stay at school until the age of 18 to do so, even at the cost of giving this measure priority over the raising of the normal school-leaving age to 16.

If economies in Government expenditure of the scale at present under discussion were to be adopted and a general grant was to be introduced in substitution for specific grants in aid of local authority expenditure, some progressive measure in education must be introduced to offset the impression, which would otherwise be inevitable, that the Government had failed to justify their claim to be introducing the Opportunity State and had forfeited the confidence of educationalists. The essential feature of such a measure would be a more generous attitude towards the school building programme, which would facilitate a reduction in the size of classes and the recruitment of additional teachers. Moreover, the pressure on the building industry had now been relieved and, unless some modest increase in building authorisations was made, there might be an unwelcome interruption in the school building programme. He therefore proposed that authorisations of £55 millions for 1957-58 and £60 millions for 1958-59 should be granted. The immediate increase in expenditure would be negligible.

*The Chancellor of the Exchequer* said that, at a time when taxation was already too high and the scope of possible economies elsewhere in Government expenditure was not yet clear, it was unrealistic to consider any further increase in expenditure on education. The proposal of the Minister of Education should therefore be deferred until the total of civil expenditure had been finalised in the Estimates and it was possible to see more exactly whether the Exchequer could sustain any additional claims.

In discussion there was general agreement that, although any additional expenditure was most unwelcome in present circumstances, it was desirable to satisfy public opinion that the essential elements in the Government's educational policy were being preserved notwithstanding the economies in Government expenditure generally and the possible adverse effects on education of the introduction of a general grant in aid of local authority expenditure. An increase in Exchequer outlay on education would not necessarily involve a commensurate increase of inflationary pressure; and in view of the decline in activity in the building trade it should be possible to establish, by further interdepartmental discussion, whether some modest increase in building authorisations for education could be permitted without damage to the economy.

The Cabinet—

Invited the Chancellor of the Exchequer, in consultation with the Minister of Education, to give further consideration to the possibility of increasing the building authorisations for education; and, if necessary, to submit revised proposals to the Cabinet.

*Cabinet Office, S.W. 1,  
7th February, 1957.*