CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 4th February, 1958, at 11 a.m.

Present:

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

The Right Hon. VISCONT KILMUIR, Lord Chancellor.

The Right Hon. D. HEATHCOAT AMORY, M.P., Secretary of State for the Colonies.

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

The Right Hon. VISCONT HAILSHAM, Q.C., Lord President of the Council.

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

The Right Hon. LORD MILLS, Minister of Power.

The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.

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

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

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

The Right Hon. GEOFFREY LLOYD, M.P., Minister of Education.

The following were also present:

The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 4).

The Right Hon. AUBREY JONES, M.P., Minister of Supply (Item 8).

Mr. AIREY NEAVE, M.P., Joint Parliamentary Secretary, Ministry of Transport and Civil Aviation (Item 8).

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

Secretariat:

Mr. B. ST. J. TREND.
Mr. J. M. WILSON.
Mr. I. P. BANCROFT.

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Baghdad Pact.

(Previous Reference: C.C. (58) 8th Conclusions, Minute 6.)

1. The Foreign Secretary said that the recent meeting of the Ministerial Council of the Baghdad Pact at Ankara had been very satisfactory. The Pakistan Prime Minister had made only a passing reference to the problem of Kashmir, and the Iraqi representative had not pressed for any early initiative to resolve the Arab-Israel dispute. General satisfaction had been expressed with the United States offer of an additional $10 millions of economic assistance and no request had been made for further financial support from this country. During the meeting the union of Egypt and Syria had been announced. The Council had accepted his view that the Western countries, while refraining from any public condemnation of this action by two Arab States, should seek to foster closer co-operation between Iraq, Jordan and Saudi Arabia in order to provide an alternative focal point for the political aspirations of the people of Syria, who were probably concerned at the prospect of Egyptian domination.

The most encouraging feature of the meeting had been the unanimous agreement of all the member countries that the next Ministerial meeting of the Council should be held in London in July. This decision was a welcome indication of improvement in the standing of the United Kingdom in the Middle East.

The Cabinet—

Took note of this statement.

Cyprus.

(Previous Reference: C.C. (58) 12th Conclusions.)

2. The Foreign Secretary said that, during his recent discussions in Ankara, the Turkish Government had sought to make their acceptance of our proposed statement of policy conditional on three stipulations—first, that the Turkish community in Cyprus should be given a right of veto on the interim constitutional development of the Island; second, that we should incorporate in a formal agreement our undertaking that the right of self-determination would be accorded to the Turkish, equally with the Greek, Cypriot community; and, third, that Turkey (and Greece, if necessary) should be granted a military base in Cyprus forthwith. He had endeavoured, with the Cabinet’s approval, to meet these stipulations as far as possible, particularly by offering to convene a tripartite conference to consider the strategic requirements of the Turkish and Greek Governments in Cyprus. As a result, although we had not secured Turkish endorsement of our proposals, we had avoided a breach with the Turkish Government, and it was important, particularly in view of the extent to which the Governor of Cyprus was dependent on the Turkish Cypriot security police for the maintenance of law and order in the Island, that we should not now appear to withdraw from the position which he had established in Ankara. This consideration should govern the next stage in the negotiations, in which it would be necessary to present our new proposals to the Greek Government. On balance, it would be advisable that he should himself visit Athens for this purpose and, while making it clear that we could not accept Enosis and were prepared to contemplate partition only in the last resort, should emphasise that our proposals had been devised as a means of preserving the unity of the Island and providing for its constitutional development under British rule for a period of years and that there was a reasonable hope that a settlement of this kind would not necessarily result in the eventual partition of the Island provided that the Turkish Government could be given satisfactory guarantees of their strategic requirements.

In discussion the Cabinet were informed that H.M. Ambassadors at Athens and Ankara felt unable to entertain any great hope that a visit by the Foreign Secretary to Athens would prove fruitful. The

* Previously recorded in a Confidential Annex.
The Greek Government were unlikely to accept our new proposals, while the Turkish Government would be liable to suspect that we were now preparing to retract to some extent the assurances which they regarded the Foreign Secretary as having provided during his recent discussions in Ankara. The Governor of Cyprus, who had originally been willing to accompany the Foreign Secretary on his projected visit to Athens, had now expressed doubts about the wisdom of this course on the ground that the latest reports from Ankara indicated that a fresh outbreak of Turkish violence might be expected in Cyprus. He felt that the Government were now compelled to abandon the initiative and that, if it was impossible to revert simply to the maintenance of the existing position, we should at least concede no more than discussions on the possible establishment of military bases in Cyprus with the intention of resisting the Turkish claims as far as possible during those discussions.

It was agreed, however, that, in spite of the uncertainty that any mission to Athens would be successful and the risk that discussions with the Greek Government would provoke a fresh outburst of Turkish violence in Cyprus, it was desirable, for both domestic and international political reasons, that we should be seen to offer to the Greek Government the same opportunity of personal discussion of our proposals with the Foreign Secretary as had recently been afforded to the Turkish Government in Ankara. On a balance of the considerations, therefore, the Foreign Secretary should proceed to Athens, where he might be joined by the Governor of Cyprus. It would be desirable, however, that he should first inform the Turkish Prime Minister, in a personal message, that his visit to Athens would be undertaken for the sole purpose of informing the Greek Government of our proposals and should not be interpreted as implying that we were in any way seeking to retract any of the assurances which he had recently given to the Turkish Government.

In further discussion it was suggested that, if the Greek Government appeared to acquiesce, however reluctantly, in our proposals, these might then be announced in Parliament forthwith. But, if the Greek attitude remained completely intransigent, it would clearly be impossible to proceed with those elements in our plan which provided for the termination of the state of emergency in Cyprus and the institution of discussions on constitutional development. In that case we should be compelled to insist that an interval must elapse, during which tranquillity must be restored in the Island, before we could contemplate any further progress towards a solution of the problem. At the same time we might well publish our proposals as an indication of the basis on which we should have been prepared to collaborate with the Greek and Turkish communities in the development of the Island if their co-operation had been forthcoming. Thereafter it would be necessary for us to continue to enforce our authority in Cyprus and, in particular, to be prepared to deal with a revival of terrorism by Eoka. The military forces in the Island should suffice for this purpose, provided that the authorities could continue to rely on the co-operation of the Turkish security police.

The Cabinet—

(1) Agreed, in principle, that the Foreign Secretary, possibly accompanied by the Governor of Cyprus, should visit Athens in the near future in order to inform the Greek Government of our new proposals for dealing with the situation in Cyprus.

(2) Invited the Foreign Secretary, before his departure, to inform the Turkish Prime Minister that his visit to Athens should not be interpreted as implying that we were seeking in any way to retract the assurances which he had given to the Turkish Government during the recent discussions in Ankara.
3. The Cabinet had before them a further draft of the reply from the Prime Minister to Mr. Bulganin's letter of 9th January which the Foreign Secretary had prepared in the light of his discussions with the United States Secretary of State in Ankara (C.R.O. telegrams to Australia, Track Nos. 234 and 235) and of the Prime Minister's comments on this draft (C.R.O. telegram from Australia, Track No. 136).

In discussion some concern was expressed lest the Western countries, by undue insistence on the need for adequate preparations before a meeting of Heads of Government was held, might allow the Soviet leaders to obtain the propaganda advantage of having volunteered an initiative which the free world was seeking to rebuff. In view of the growing volume of public opinion throughout the world in favour of a meeting of Heads of Government, it might be inadvisable to reiterate conditions which might eventually have to be abandoned. An early meeting, even if it did not produce immediate results, might be preferable to an indefinite delay. On the other hand it was not unreasonable that the Western countries should initially specify the conditions which, in their view, must be satisfied if such a meeting was to produce positive results. Moreover, we must seek to ensure a continuing unity of purpose with the United States Government, who were reluctant to commit themselves to a meeting of Heads of Government unless its success could be assured. The text of the draft reply might, however, be made slightly more conciliatory in tone, and certain amendments were approved for this purpose.

The Cabinet—

(1) Invited the Foreign Secretary to submit to the Prime Minister the proposed further amendments to the draft reply to Mr. Bulganin which had been suggested in their discussion and to arrange for the United States Secretary of State to be informed simultaneously of these amendments.

(2) Invited the Foreign Secretary, subject to the approval of the Prime Minister and the concurrence of the United States Secretary of State, to arrange for the draft reply, as amended in their discussion, to be circulated to the North Atlantic Council.

*4. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (58) 29) about the National Health Service.

The Chancellor of the Exchequer said that he had discussed with the Minister of Pensions and National Insurance and the Minister of Health the detailed arrangements for giving effect to the Cabinet's recent decision to increase the National Health Service contribution by 8d. In agreement with his colleagues he now recommended that the contribution in respect of women and juveniles should be increased by 6d. and 4d. respectively; that the adult male employee's contribution should be increased by 6d., the woman's contribution by 4d., and the juvenile's by 2d., the employer's contribution being increased by 2d. in each case; and that the contributions of self-employed and non-employed persons should be increased by the same amount as the contribution of the employee.

In discussion there was general agreement with these proposals. It was suggested that, if the increase in the contribution of self-employed and non-employed persons was limited to the increase in the contribution of the employee, this would represent a departure from earlier practice whereby individuals in these categories had been required to pay the contribution in full. On the other hand the case
for a moderate concession to these classes had already been conceded in principle in respect of the increases in the contribution under the National Insurance Acts, 1954 and 1957. On balance, therefore, it was appropriate that the increase to be imposed on self-employed and non-employed persons should be limited to the increase imposed on employed contributors.

The Cabinet were informed that, if the increase in the contribution was to take effect on 1st July, it would be necessary for the administrative preparations to be begun without delay, in anticipation of the enactment of the legislation involved.

The Cabinet—
(1) Approved the proposals in C. (58) 29.
(2) Invited the Minister of Health to arrange forthwith for the drafting of the necessary legislation, on the assumption that the Ways and Means Resolution on which the Bill would be founded would be tabled concurrently with the publication of the Vote on Account.
(3) Invited the Minister of Pensions and National Insurance to put in hand forthwith the necessary administrative arrangements for giving effect to the increase in the National Health Service contribution.

5. The Cabinet were informed that, in January, the gold and dollar reserves had risen by $131 millions, accompanied by a United Kingdom surplus of £104 millions with the European Payments Union; that the visible trade deficit was not expected to exceed some £35 millions; and that the number of unemployed persons had risen by 60,000.

In discussion it was pointed out that, while this was a favourable season for sterling, the increase in the reserves gave grounds for some encouragement. Although the increase in unemployment might be interpreted as an indication of a slight reduction in the inflationary pressure, the total number of unemployed persons still constituted only 1·8 per cent. of the employed population.

The Cabinet—
Took note of these statements.

6. The Cabinet had before them a memorandum by the Paymaster-General (C. (58) 27) on the progress of the negotiations for the establishment of a European Free Trade Area.

*The Paymaster-General* said that several major problems had still to be solved. First, it would be necessary to devise some arrangements for trade in agricultural products which would be compatible both with the Government's commitments to the Commonwealth and to the domestic farming industry and with the desire of European countries to secure increased opportunities in the United Kingdom market for their exports of foodstuffs in return for the opening of their own markets to United Kingdom industrial goods. Second, we should need to find some means of reconciling our insistence that members of the Free Trade Area should not be obliged to accept a common external tariff and a common commercial policy with the fact that the Treaty of Rome imposed such obligations on the members of the European Economic Community. Third, the hostile attitude of all sections of French opinion to the Free Trade Area as an economic concept had still to be surmounted.

He was not unhopeful of securing agreement to our original proposals, since all the countries concerned had a strong political incentive to bring the negotiations to a successful conclusion. Moreover, it would be dangerous to underestimate the potential
damage to our interests if the negotiations were allowed to fail. But the difficulties were substantial, and we should be subjected to strong pressure to make concessions in order to overcome them.

In discussion the following points were made:

(a) The Government's commitments to the domestic farming industry would probably preclude any substantial concessions on agricultural policy. If it eventually proved necessary to contemplate some relatively minor modifications in this respect, it would be important to allow adequate time for the interests concerned, both in this country and in the Commonwealth, to be informed of our intentions.

(b) In particular, we must be prepared to decide how far we would yield to the combined pressure which the Commonwealth and European Governments might exert for some curtailment of our domestic agricultural price support system.

(c) The most effective means of securing some abatement of the French opposition to the Free Trade Area might be to bring pressure to bear on France through her partners in the European Economic Community, whose interests in securing a generally low tariff level, particularly on basic materials, coincided with our own.

The Home Secretary, summing up the discussion, said that, in view of the impact of the Free Trade Area negotiations on certain sensitive aspects of domestic policy, the Paymaster-General should keep the Cabinet fully informed of developments and of his proposals for solving the main outstanding problems.

The Cabinet—

(1) Took note of C. (58) 27.

(2) Invited the Paymaster-General to make a further report, within the next few weeks, on the nature and timing of the concessions which might be required if the current difficulties in the negotiations for the establishment of a European Free Trade Area were to be overcome.

7. The Cabinet had before them a memorandum by the Secretary of State for Scotland and the Minister of Agriculture (C. (58) 28) on the proposal to introduce legislation amending the Agriculture Acts and the Agricultural Holdings Acts.

The Minister of Agriculture said that the announcement of the Government's decision to amend these Acts had excited a considerable amount of criticism. But there was evidence that the farming community as a whole was less hostile to the proposals than might appear from the attitude of the principal organisations concerned. Moreover, he was examining the possibility of forestalling the criticism that the Bill would favour the landlord as against the tenant farmer by incorporating in it certain provisions designed to benefit the tenant. In these circumstances he recommended that the Government should proceed with the proposed legislation, particularly since the recommendations of the Committee on Administrative Tribunals and Enquiries regarding the functions of the County Agricultural Executive Committees and the jurisdiction of agricultural tribunals would in any case entail substantial amendment of Part II of the Agriculture Act, 1947.

The Secretary of State for Scotland said that, while he was in general agreement with this conclusion, the proposal to amend the law governing the bequest of, and succession to, agricultural tenancies in Scotland was being energetically resisted by Scottish farmers. While the present position was admittedly indefensible,
he would wish to have a further opportunity of consulting the Government's Scottish supporters before coming to a final decision on the best method of dealing with this matter.

The Cabinet—

(1) Invited the Secretary of State for Scotland to consult further with the Government's Scottish supporters regarding the proposal to amend the law governing the bequest of, and succession to, agricultural tenancies in Scotland.

(2) Agreed that, subject to Conclusion (1) above, legislation to amend the Agriculture Acts and the Agricultural Holdings Acts should be introduced at an early date.

(3) Took note that the Home Secretary would consider further the implications for the legislative programme of the introduction of this Bill.

(4) Invited the Minister of Agriculture, in consultation with the Secretary of State for Scotland, to circulate, for the guidance of Government spokesmen, a memorandum explaining the contents of the Bill.

Aircraft Industry.
(Previous Reference: C.C. (58) 9th Conclusions, Minute 3.)

8. The Cabinet had before them a memorandum by the Minister of Civil Aviation (C. (58) 31) and a memorandum by the Minister of Supply (C. (58) 32) on the requirement of British European Airways (B.E.A.) for new jet aircraft. The Minister of Civil Aviation proposed that B.E.A. should be allowed to place their order with the de Havilland group and sought authority to announce this decision in reply to Parliamentary Questions on the following day. The Minister of Supply recommended that the order should be placed with the Hawker-Bristol consortium in order to promote the reorganisation of the aircraft industry and that, in any event, a final decision should not be taken until the outcome of recent negotiations between the Hawker-Bristol consortium and Pan-American Airways was known.

In discussion it was agreed that, in view of the important issues involved in the choice between the competing designs, a decision should be deferred until the Minister of Civil Aviation was able to be present and it was known, probably within the next fortnight, whether Pan-American Airways proposed to place an order for either of these British aircraft.

The Cabinet—

(1) Agreed to give further consideration, at a subsequent meeting, to the B.E.A. requirement for new jet aircraft.

(2) Invited the Parliamentary Secretary, Ministry of Transport and Civil Aviation (Mr. Neave) to indicate, in reply to Parliamentary Questions on the following day, that the Minister of Civil Aviation would make a statement on this subject as soon as possible.

Cabinet Office, S.W. 1,
4th February, 1958.