CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Wednesday, 10th December, 1958, 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.
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.
The Right Hon. LORD MILLS, Minister of Power.
The Right Hon. GEOFFREY LLOYD, M.P., Minister of Education.
The Right Hon. REGINALD MAUDLING, M.P., Paymaster-General.

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. J. S. ORME.

SECRET
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Defence</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Integration of NATO Air Defence.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Parliament</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Obscene Publications Bill</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Nationalised Industries</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Foreign Affairs</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Europe.</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Defence</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Manpower Policy.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Malta</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Cotton</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Imports.</td>
<td></td>
</tr>
</tbody>
</table>
1. The Cabinet had before them a memorandum by the Minister of Defence (C. (58) 248) about the integration of air defence in the area of the North Atlantic Treaty Organisation (NATO).

The Minister of Defence said that, in the light of the Cabinet's earlier discussion, he had given further consideration to the means whereby the proposals which the Supreme Allied Commander, Europe (SACEUR) had put forward for this purpose could be so amended as to avoid exposing the Government to political embarrassment if they became publicly known. He suggested that for this purpose a revised Resolution should be submitted to the forthcoming Ministerial meeting of the North Atlantic Council on the lines of the draft annexed to C. (58) 248. This Resolution would invite the Council to approve the establishment of an integrated system of air defence under the command and control of SACEUR on the general lines recommended by the Military Committee in their memorandum M.C. 54/1, and would request the Governments concerned to assign their air defence forces in Europe to SACEUR subject to:

(a) approval by the Council of the rules of engagement governing the operation of the assigned forces;

(b) the provisions for safeguarding national interests set out in paragraph 11 of M.C. 54/1.

If the Council endorsed a Resolution of this nature we should still be committed to assign our air defence forces to SACEUR and to place them under his operational command and control in peace and war. But we should remain free to specify such restrictions as we might see fit to impose on the manner in which he would exercise this command. In particular, we should be entitled to stipulate that our air defence forces should continue to be confined to the defence of the deterrent; and we should be able to withdraw them from the NATO area if they were required to meet our commitments elsewhere. Moreover, although the formal assignment of our air defence forces to SACEUR would enable him to bring greater pressure to bear on us to make changes in their equipment and disposition, we should retain our right to decide for ourselves their size and shape. The integration of air defences in Europe would be advantageous from our point of view in that it would enable us to benefit operationally from the closer links which would be established between the early-warning systems on the Continent and in this country; and, in the light of the political safeguards implicit in the draft Resolution, the new arrangement should now be defensible to public opinion in this country.

In discussion there was general agreement with these proposals, which, it had been ascertained, would be acceptable to SACEUR.

The Cabinet—

Invited the Foreign Secretary to instruct the United Kingdom Permanent Representative on the North Atlantic Council to seek to secure that the Resolution on the integration of air defence in Europe, to be submitted to the forthcoming Ministerial meeting of the Council, should be in the form indicated in the Annex to C. (58) 248.

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

3. The Home Secretary said that a Private Member's Bill had been introduced on the subject of obscene publications. It might be desirable that the Government should provide time for its discussion in the House of Commons in order to show that they were not unsympathetic with the body of opinion which favoured amendment of the law on this subject. On the other hand, the Bill was not likely to receive a Second Reading in the normal course of business and there would be obvious objection to any attempt by the Government to ensure it priority over other Bills promoted by Private Members. Moreover, the problems involved were at present being examined by a committee under the chairmanship of the Lord Chancellor and it would be premature to give any indication of the Government's intentions until the report of this committee was available for consideration by the Cabinet. The wisest course might therefore be to indicate, possibly during the business statement in the following week, that the Government hoped that an opportunity might occur in the near future for the discussion of the issues raised by the Bill.

The Cabinet—

Took note, with approval, of this statement.

4. The Minister of Power said that it was proposed to introduce a Bill extending the borrowing powers of the gas and electricity industries. In the case of the Gas Council, the existing powers were not likely to be exhausted until 1961; but it would be convenient to follow the precedent of the corresponding legislation introduced in 1954 and to deal simultaneously with the capital needs of both industries so far as they could be foreseen.

In discussion it was suggested that it would be preferable to observe the normal principle that Parliament should not be invited to sanction an extension of powers until the need for it was relatively imminent. The Government's supporters would be liable to be critical if this principle were breached merely for the sake of convenience.

The Cabinet—

Agreed that this legislation should be confined to authorising an extension of the borrowing powers of the electricity industry.

5. The Cabinet were informed of the arrangements which it was proposed to make in connection with the forthcoming meetings of the Ministerial Councils of the North Atlantic Treaty Organisation (NATO) and the Organisation for European Economic Co-operation (O.E.E.C.).

In discussion it was suggested that we should take the opportunity provided by these meetings to discuss with the Governments of the United States, France and Western Germany the measures which it might be necessary to adopt for the relief of Berlin if the Soviet proposal to bring the military occupation of the city to an end compelled the Western sectors to withstand a blockade. On the other hand, there might be advantage in abstaining from any immediate initiative in relation to Berlin and allowing the other Powers concerned to make the first move. In particular, it might be unwise to encourage the expectation that we would be prepared to relieve the Federal German Government of their proper share of the responsibility for maintaining the position of the Western sectors of the city. The strength of the West German economy, together with the fact that the Federal Government had supported France in obstructing our proposals for the creation of a European Free Trade Area, gave them even less grounds for expecting us to take the lead.
in proposing measures which might impose on us a heavy additional liability.

It would be necessary, in any event, to reconsider the project for a European Free Trade Area after the forthcoming meeting of the Ministerial Council of O.E.E.C. We must seek, if possible, to reach a decision on our future policy in time to enable us to enlist the support of the United States Government, during the subsequent Ministerial meeting of the North Atlantic Council, for such fresh proposals as we might put forward for the organisation of European trade. In this way we might gradually, and without jeopardising our own essential interests, work towards a new attempt to reach agreement between the great Powers on a political and economic settlement in Europe.

6. The Cabinet had before them a memorandum by the Minister of Defence (C. (58) 234) on the prospective supply of manpower to the Armed Forces.

The Minister of Defence said that the trend of regular recruiting continued to be more favourable than had been expected when the decision was taken to bring National Service to an end by December 1962. There was therefore every reason to be confident of our ability to implement the declared policy of the Government to rely on all-regular forces from 1963 onwards.

The Prime Minister said that, if there had been any reasonable doubt on this issue, the Government would have been obliged to consider introducing, before the end of the present Parliament, legislation extending National Service in some form. The facts set out in C. (58) 234 made it clear that the Government would not have failed in their duty if they now decided to take no action of this kind. The question of the commitments to be faced from 1963 onwards and of the additional numbers of regular recruits who might be engaged, above the total at present authorised, would be considered by the Defence Committee in the course of their current review of future defence expenditure.

The Cabinet—

Took note, with approval, of C. (58) 234.

7. The Cabinet were informed of the course of the current discussions between the Colonial Secretary and representatives of the political parties in Malta. It was unlikely that an agreed form of Constitution for the Island could be evolved at this stage and our interest, for the immediate future, would probably lie in making the best possible arrangements for a period of direct rule. It would, however, be helpful if some understanding could be reached during the present discussions with Dr. Borg Olivier, the leader of the Maltese Nationalist Party, on the status which might be accorded to Malta if the Island should at a later date become financially self-supporting and no longer needed for British defence purposes. Dr. Borg Olivier might be attracted by a statement that in those circumstances Malta would be regarded as a "Dominion."

In discussion it was pointed out that the concept of some new form of Dominion status for certain smaller communities within the Commonwealth would call for very careful consideration and consultation with other members of the Commonwealth. It might be preferable to consider the possibility of suggesting some other formula such as the prospect of "self-government within the Commonwealth." The two conditions on which it had been suggested that some new status might be accorded to Malta were

SECRET
SECRET

unlikely to materialise in the foreseeable future; and care should be taken to avoid any fresh undertaking which we might be pressed to honour before those conditions were realised.

The Cabinet—

Invited the Colonial Secretary, in consultation with the Commonwealth Secretary, to give further consideration, in the light of their discussion, to the form of a possible statement on the future status of Malta and, if it appeared desirable to make such a statement to refer the draft to the Prime Minister before making any such communication to the leader of the Malta Nationalist Party.

The President of the Board of Trade said that in the current negotiations between the Cotton Board and the Hong Kong industry for a voluntary limitation of exports of cotton textiles from Hong Kong, the Hong Kong industry continued to insist on the principle of annual escalation within the agreed total figure of 345 million square yards over the following three years and to demand a separate and additional allocation for exports of yarn cloth and towelling. It was now urgently necessary to resolve these issues, since the opportunity to ratify the corresponding agreements which had been provisionally reached with the Indian and Pakistani industries would lapse at the end of the year.

In discussion the Cabinet were informed that the Cotton Board had agreed in principle that, if the annual allocation of 115 million square yards was not fully taken up in each year, the balance might be carried over to the following year. It might be possible to adapt this principle in a manner which would, in effect, give the Hong Kong industry the substance of escalation.

The Prime Minister said that, if a suitable formula could be devised for this purpose, he would be prepared to ascertain, during the discussion which he was to have with representatives of the Cotton Board on the following day, whether it would be acceptable to the Board. If so, it might still be possible to bring the negotiations with Hong Kong to a successful conclusion. But the Cabinet would need to consider in the very near future whether, if agreement proved impossible, they would sacrifice the interests of the British industry to the maintenance of our traditional policy as regards Colonial trade or whether, in order to provide the necessary protection for our own producers, they were prepared, notwithstanding the undesirable precedent which would be created, to impose on Hong Kong a settlement acceptable to the Cotton Board.

The Cabinet—

(1) Invited the President of the Board of Trade to consider, as a matter of urgency, whether a formula could be devised which would in effect permit a limited degree of escalation within the agreed total of cotton textile exports from Hong Kong over the next three years by allowing the unused portion of each year's allocation to be carried over, to a limited and defined extent, to the following year.

(2) Took note that the Prime Minister would ascertain, during his discussion with the Cotton Board on the following day, whether such a formula would be acceptable to the Board.

(3) Agreed to resume their discussion on the policy to be adopted towards cotton textile exports from Hong Kong at a subsequent meeting.

Cabinet Office, S.W.1,
10th December, 1958.

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