CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 19th February, 1959, at 11 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister.
The Right Hon. D. HEATHCOAT AMORY, M.P., Chancellor of the Exchequer.
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. LORD MILLS, Minister of Power.
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.
The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.
The Right Hon. DUNCAN SANDYS, M.P., Chancellor of the Duchy of Lancaster.
The Right Hon. IAIN MACLEOD, M.P., Minister of Defence.
The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.
The Right Hon. REGINALD MAUDLING, M.P., Paymaster-General.

The following were also present:
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 5).
Mr. JULIAN AMERY, M.P., Parliamentary Under-Secretary of State for the Colonies (Item 8).

The Right Hon. ERNEST MARPLES, M.P., Postmaster-General (Item 4).
Mr. R. A. ALLAN, M.P., Joint Parliamentary Under-Secretary of State for Foreign Affairs (Items 1-6).
Mr. MARTIN REDMAYNE, M.P., Lord Commissioner, Treasury.

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. B. ST. J. TREND.
Mr. M. REED.
Mr. J. S. ORME.
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1. The Chancellor of the Exchequer informed the Cabinet that the deadlock with the Egyptian Government about the interpretation of the provisional Anglo-Egyptian financial agreement in relation to certain categories of land remained unresolved. Mr. Black, the President of the International Bank, who had been mediating in the dispute, was now inclined to accept the Egyptian contention that much of the land which we regarded as having been sequestrated, including the Smouha estate, was agricultural land which had been Egyptianised and that its owners should therefore be compensated, not by the return of their property, but by payment from the lump sum of £27½ million to be paid by the Egyptian Government under the agreement. Mr. Black was prepared, however, to make a further attempt to negotiate some understanding on this point between the Egyptian Government and ourselves; but he believed that, unless we were prepared to sign the agreement in the very near future, the Egyptian Government might entirely retract their provisional endorsement of it. President Nasser was expected to make an important political speech on 21st February, and there was reason to suppose that, unless he believed that we were prepared to sign the agreement without further delay, he might announce its provisions and nationalise the British assets which had been sequestrated. In these circumstances it seemed advisable that Mr. Black should return to Cairo as soon as possible and should be allowed, as he had proposed, to issue forthwith a statement indicating that he intended to seek to resolve the outstanding issues between the Egyptians and ourselves as a preliminary to signature of the agreement. This would be an indication that we were prepared, in the last resort, to sign the agreement as it stood and to leave the issues relating to compensation for different categories of land to be settled at a later stage in the least disadvantageous manner possible. If we consented to Mr. Black's acting on these lines, we should also take steps to ensure that our willingness to sign the agreement did not appear to be the result of any threatening statements which President Nasser might make in his forthcoming speech. For this purpose it would be advisable to announce, before 21st February, that a United Kingdom Minister was ready to visit Cairo and to sign the agreement when Mr. Black had completed his negotiations.

In discussion there was general agreement with these proposals. The Government would be open to criticism if they signed the agreement without securing any concession from the Egyptian Government as regards its interpretation in relation to land; and it was desirable that Mr. Black should, if possible, secure that, for the purposes of the agreement, agricultural land should be regarded as at least excluding built-up land. On the other hand, the general advantages of the agreement, particularly as regards the restoration of trade between the two countries and the resumption of operations in Egypt by the Shell Oil Company, were not inconsiderable and it would be unwise to sacrifice these advantages by allowing the agreement to break down on a particular issue of interpretation.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to arrange for Mr. Black, the President of the International Bank, to renew his efforts to negotiate with the Egyptian Government a settlement of the dispute over the interpretation of the provisional Anglo-Egyptian agreement in relation to certain categories of land, on the understanding that he should be authorised, in the last resort, to indicate that the United Kingdom Government were willing to sign the agreement as it stood.
2. The Prime Minister said that, during the discussions in the inter-Governmental Conference on Cyprus on the previous day, Archbishop Makarios had adopted a critical attitude towards the proposals of the Governments of the United Kingdom, Greece and Turkey for the future of the Island. His reservations had related, however, not to our own retention of strategic bases in the Island under British sovereignty but to certain aspects of the constitutional provisions which had been agreed by the Greek and Turkish Governments at Zurich. As a result of representations by the Foreign Secretary and the Greek and Turkish Foreign Ministers, he had now withdrawn his objections and had indicated his acceptance of the documents presented to the Conference and the declarations of the three Ministers as the foundation for the final settlement of the problem of Cyprus. The agreed documents would therefore be signed that afternoon.

In discussion the Cabinet expressed their satisfaction at the successful outcome of the Conference and paid tribute to the skill and patience with which the Foreign Secretary and the Colonial Secretary had made it possible for the Governments and peoples concerned to look forward to a brighter future for Cyprus. The means by which a settlement had been reached confirmed the validity of the view, which the Government had consistently maintained, that a solution could only be found by agreement between the Governments of Greece, Turkey and the United Kingdom and the Cypriot communities. The fact that Archbishop Makarios had acquiesced in our retention of strategic facilities in the Island should constitute a sufficient reply to any criticism that the Government had sacrificed essential British interests in their anxiety to reach a settlement.

In further discussion it was agreed that it would be desirable that, subject to the concurrence of the Greek and Turkish Prime Ministers, a statement about the outcome of the Conference should be made by the Prime Minister in the House of Commons later that day. If it was necessary to comment on the understanding expressed by the Greek and Turkish Foreign Ministers that Cyprus might remain in some form of association with the Commonwealth, it would be appropriate to indicate that, although this question concerned other Commonwealth Governments, we should be prepared to consider sympathetically any request from the Government of Cyprus, when constituted in due course, to remain associated with the Commonwealth. It would be advisable, however, to refrain from undertaking, at this stage, any commitment as regards financial assistance to the Republic of Cyprus.
The Cabinet—

Took note with approval that the Prime Minister would announce in the House of Commons that day the successful outcome of the inter-Governmental Conference on the future of Cyprus.

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

The Cabinet were informed that Mr. Speaker proposed to announce in the House of Commons that afternoon that he did not intend to seek re-election at the end of the present Parliament.

4. The Cabinet had before them a memorandum by the Postmaster-General (C. (59) 34) proposing the appointment of an independent committee to enquire into the future of the British Broadcasting Corporation (BBC) and the Independent Television Authority (ITA) together with certain other current problems of broadcasting policy.

The Postmaster-General said that there was growing pressure for the introduction of a third television programme and for an increase in the permitted total of television hours in each week. Any announcement that the Government could not at present agree to either of these developments would attract strong criticism; but it would be difficult to defer such an announcement unless the Government were prepared to appoint an independent committee to consider these questions. Moreover, other problems of broadcasting and television policy were likely soon to become a source of political embarrassment; and, since it would in any event be necessary before long to institute an enquiry into the future of the BBC and the ITA, whose statutory basis expired in 1962 and 1964 respectively, the balance of advantage appeared to lie in appointing forthwith a committee which could enquire into all the major problems of broadcasting policy.

In discussion the advantages of an early enquiry were recognised. There was reason to think that it would be welcomed by both the BBC and the ITA; and, although its composition and terms of reference would be determined by the present Government, it could not be expected to report until after the General Election. On the other hand, the issues involved were politically sensitive and it might be undesirable that they should be brought prominently before the public in the period preceding the Election. Moreover, while the terms of reference would need to be so drafted as to make it clear that the continuation of independent television was not in question, the enquiry should embrace all the considerations which would need to be reviewed before the renewal of the BBC's Charter and of the Television Act; and to institute such an enquiry so soon after the inception of independent television might be regarded as implying that the Government were in fact in doubt about its continuation. A further objection to an early enquiry was that it was likely to lead to increased pressure for additional Exchequer assistance to the BBC.

The Prime Minister, summing up the discussion, said that the proposal raised complex political issues, which should be further considered by the Ministers principally concerned.

The Cabinet—

Invited the Home Secretary, in consultation with the Lord Chancellor, the Lord President, the Chancellor of the Duchy
5. The Cabinet had before them a memorandum by the Minister of Pensions and National Insurance (C. (59) 30) on unemployment benefit for workers on short time.

The Minister of Pensions and National Insurance said that unemployment benefit was not paid to a man who had worked during the week in question to "the full normal extent." In 1948 the then Minister had made Regulations dealing with this matter and had given assurances to the National Insurance Advisory Committee that those Regulations merely codified existing case law. In particular, they were not intended to alter the practice whereby a man who had been on short time was entitled to receive unemployment benefit in respect of the balance of a normal week. These Regulations fell to be construed, in the last resort, by the National Insurance Commissioner. Recent decisions of the Commissioner suggested that he was inclined to interpret them to the effect that, where a man had been on short time for a year, short-time working had become for him "the full normal extent" of a week's work; and in that event he would no longer be entitled to receive unemployment benefit. A Tribunal of Commissioners was due to consider that day two cases involving this principle. If their ruling necessitated the withdrawal of benefit in all such cases, it would be advisable to issue amending Regulations which would ensure, with immediate effect, that benefit would not be withdrawn.

In discussion there was general agreement that, despite the economic arguments against any action which might encourage prolonged short-time working, political considerations strongly favoured these proposals.

The Cabinet—

Approved the proposals in C. (59) 30.

6. The Cabinet had before them a memorandum by the President of the Board of Trade (C. (59) 29) on the question of assistance to the cotton industry.

The President of the Board of Trade said that, in agreement with the Ministers primarily concerned, he had reached the conclusion that action by the Government in support of the cotton industry should take the form of assistance to the industry itself rather than to the cotton textile areas. There was already considerable diversification of industry in those areas; and their present and prospective level of unemployment was considerably lower than that of several other areas. The form and scope of assistance to the textile industry could not, however, be decided in detail until the industry's own proposals were available. It was for consideration whether it would then be desirable to appoint some independent person to assist in examining those proposals.

In discussion there was general agreement that Exchequer assistance to the industry should be primarily related to expenditure on modernisation of equipment, and that compensation in respect of redundancy, whether of men or machines, should remain the
responsibility of the industry. It might be desirable, however, that the Government's assistance should be made conditional on an undertaking by the industry to ensure adequate compensation for those operatives who would become redundant as a result of the reorganisation proposals. It would also be necessary to warn the industry that only a limited level of assistance could be expected from the Government.

The Cabinet—

(1) Took note of C. (59) 29.

(2) Invited the President of the Board of Trade to circulate as soon as possible detailed proposals for special action by the Government to assist the cotton textile industry.

The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (59) 21) on the position of Shell-Mex and British Petroleum (B.P.) Limited under the Restrictive Trade Practices Act, 1956.

The Chancellor of the Exchequer said that the agreement under which Shell-Mex and B.P. Limited (a joint marketing and distributing agency for the Shell, B.P. and Eagle Groups) was established in 1931 would in due course come before the Restrictive Practices Court. The company had been advised that the agreement would almost certainly fail to satisfy the Court and that, in that event, the combine would have to be dissolved. Internationally this would be liable to encourage Governments in the Middle East to take action against joint oil-producing companies; while domestically it would cause considerable dislocation, with consequent loss of business to non-British competitors, and would involve a wasteful duplication of facilities. The Economic Policy Committee had therefore recommended that the Government's main objective should be to avoid a situation in which the existing agreement came before the Restrictive Practices Court and was publicly condemned. It would be unwise to seek to achieve this by amendment of the Restrictive Trade Practices Act; and the companies should be encouraged to work out, in the interval before their agreement came before the Court, a scheme which would remove their marketing activities from the scope of the Act.

Discussion showed that there was general agreement with these recommendations, especially since the company could be reasonably certain that their agreement would not come before the Court for at least twelve months. It would be advisable, however, to examine at the same time the technical possibility of so amending the Act as to render it inoperative in relation to agreements of the kind in question, in case a suitable opportunity for fresh legislation occurred at a later date.

The Cabinet—

(1) Approved the proposals in C. (59) 21.

(2) Invited the President of the Board of Trade, in consultation with the Minister of Power and the Attorney-General, to examine the technical possibility of amending the Restrictive Trade Practices Act, 1956, on the lines indicated in their discussion.
8. The Cabinet had before them a memorandum by the Lord Chancellor (C. (59) 7) on Commonwealth immigrants.

The Lord Chancellor said that the Committee on Colonial Immigrants had given further consideration to the desirability of promoting legislation to empower the Home Secretary to deport any British subject or citizen of the Irish Republic who was recommended for deportation by a Court upon conviction of an offence for which a sentence of imprisonment could be imposed or of an offence relating to prostitution. There was genuine public concern over the criminal activities of a small proportion of the coloured immigrants arriving in this country; and the Government might be criticised if they failed to take the necessary powers to deport these undesirable elements. The majority of the members of the Committee were therefore in favour of legislation. On the other hand, the flow of coloured immigrants to the United Kingdom had recently been much reduced and the racial tension of the previous year appeared to have declined. He therefore shared the view of the minority of the members of the Committee that legislation on the lines proposed was at present unnecessary and was not likely to be well received by public opinion.

The Home Secretary said that it was essential that this legislation should eventually be enacted. It would, however, be contentious; and in view of the many other demands on the legislative programme, he would not wish to press for its introduction during the current Session. Consultations with other Commonwealth and Colonial Governments on the form and scope of such a Bill should, however, be continued.

In discussion there was general agreement that it would be impracticable to promote such legislation during the current Session. If attempts were made to amend the Street Offences Bill in order to empower the Home Secretary to deport Colonial immigrants who were living on immoral earnings in this country, they should be resisted on the ground that that Bill was not an appropriate vehicle for the introduction of a power to deport British citizens, especially since the exercise of that power would not extend to other, and more serious, offences.

The Cabinet—

(1) Agreed that legislation to empower the Home Secretary to deport undesirable immigrants from the Commonwealth should not be introduced during the current Session.

(2) Invited the Commonwealth Secretary and the Colonial Secretary, in consultation with the Home Secretary, to ascertain the views of Commonwealth and Colonial Governments on the form and scope of legislation for this purpose which might be promoted in a later Session.

9. The Minister of Labour said that, in the absence of amending legislation (to which there would be political objection) the Development Areas (Treasury Advisory) Committee could not be expected to make any greater contribution than at present to the expansion of industry in areas of high unemployment. He had therefore considered, in consultation with the Ministers concerned, alternative means of providing inducements to firms to establish new enterprises in such areas. It would be possible, for example, for the Government to encourage and assist local authorities to build advance factories in these areas. This proposal was being urgently examined. In addition, the Board of Trade already had statutory powers to build factories; and although these powers had hitherto been exercised only in North-East Lancashire, Dundee, Greenock
and West South Wales, it was now proposed that they should be used also in Liverpool, Merseyside and possibly in other areas. Finally, an increasing amount of evidence was available to demonstrate the discouraging effect of the existing policy whereby firms occupying Government factories and wishing to have them enlarged were required to undertake to buy any extension, together with the original building, over a fixed period. Firms would be more likely to extend their factories if they were required merely to pay an economic rent for the additional capacity.

In discussion there was general agreement with these proposals. In cases where specialised buildings were involved, however, it might be necessary to adhere to the policy of requiring a firm, as a condition of having its premises enlarged, to buy both the original building and the extension.

In further discussion it was suggested that the need for the concessions now proposed demonstrated the difficulty of inducing firms to establish branch enterprises in areas of high unemployment during a period of industrial depression. They were more likely to favour such expansion in conditions of prosperity; and it was for consideration, therefore, whether the Government's policy for the distribution of industry should be radically reviewed in order to ensure that at the next favourable opportunity a more comprehensive attempt might be made to arrest the increasing centralisation of industrial activity and to promote the maintenance of production and employment in the remoter areas which were traditionally associated with persistent unemployment.

The Cabinet—
(1) Agreed that the powers of the Board of Trade to build factories should be exercised in Liverpool, Merseyside and possibly other areas.
(2) Invited the President of the Board of Trade to arrange for the early announcement of this decision.
(3) Agreed that, subject to further examination in the case of specialised buildings, firms wishing to have extensions built to existing Government factories should be allowed to lease, and should not be required to buy, the additional capacity.
(4) Invited the Minister of Labour, in consultation with the Chancellor of the Exchequer and the other Ministers concerned, to arrange for further consideration to be given to the proposal that local authorities should be enabled to build factories in areas of high unemployment.
(5) Invited the Home Secretary to consider by what means the Government might best re-examine their policy for the distribution of industry.

10. The Prime Minister said that during the visit which he and the Foreign Secretary were shortly to make to Moscow, he expected to discuss with the Soviet leaders the problems of Berlin, disarmament, and trade and cultural relations between this country and the Soviet Union. This visit was intended to be in the nature of a reconnaissance, not a negotiation; and he did not contemplate reaching any agreement with the Soviet Government. In particular, he would be concerned, in discussing Berlin and the related issues of the future of Germany and European security, to do no more than try to estimate the views and intentions of the Soviet leaders; and
he would adhere closely to the position which the Western Powers had publicly adopted on these subjects. On the question of disarmament he would seek to explore the possibility of concluding an agreement with the Soviet Union, particularly as regards nuclear tests and surprise attack. He was satisfied that it would be premature to expect to conclude an early trade agreement with the Soviet Union; but his visit might persuade the Soviet Government to receive a trade mission at a later date.

Facilities for communication between London and Moscow were limited, and neither he nor the Foreign Secretary could expect to be kept fully informed of the detail of current Government business during their absence. The Home Secretary would take charge of the Government and would also be available for consultation by Foreign Office Ministers.

The Home Secretary expressed to the Prime Minister the Cabinet's good wishes for the success of his mission.

Cabinet Office, S.W.1,
19th February, 1959.