CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 26th February, 1959 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. VISCOUNT KILMUIR, Lord Chancellor.
The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations.
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council.
The Right Hon. IAIN MACLEOD, M.P., Minister of Labour and National Service (Items 6-9).
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.

The following were also present:
The Right Hon. D. ORMSBY-GORE, M.P., Minister of State for Foreign Affairs (Items 1-4).
Mr. J. D. PROFUMO, M.P., Minister of State for Foreign Affairs.
The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.

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. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.
Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.
The Right Hon. REGINALD MAUDLING, M.P., Paymaster-General.

The Right Hon. The EARL OF PERTH, Minister of State for Colonial Affairs (Items 6-9).
Mr. F. J. ERROLL, M.P., Economic Secretary, Treasury (Item 5).

Secretariat:
Mr. B. ST. J. TREND.
Mr. M. REED.
Mr. J. S. ORME.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Prime Minister's Visit to Moscow</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Guy Burgess</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Alan Nunn May</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Egypt</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Financial Negotiations</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Federation of Rhodesia and Nyasaland</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Cyprus</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Amnesty Terms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Archbishop Makarios</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Industrial Disputes</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>London Airport</td>
<td></td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

2. The Home Secretary said that as a result of his initial discussions with the Soviet leaders in Moscow, the Prime Minister had formed the impression that the Soviet Government were still obsessed by the risk of encirclement and were particularly apprehensive of a revival of German power. They also believed that, although the Western Powers did not wish to precipitate a war, they had deliberately created an atmosphere of international tension and had hoped that they could turn to their own advantage the internal divisions among the Soviet leaders. Mr. Khrushchev was anxious that the Western Governments should realise that they had been mistaken in entertaining expectations of this kind. He had shown no inclination to modify his earlier proposals that Berlin should be declared a free city and that peace treaties should now be negotiated with the two German Governments. He had continued to maintain that questions such as the reunification of Germany were separate issues, which should not be linked with the future of Berlin; and he had expressed the suspicion that the Western Powers, by seeking to insist on a comprehensive discussion of all outstanding issues about Germany, were seeking to involve the Soviet Union in detailed and protracted negotiations which would preclude any simple and rapid solution of the immediate problem of Berlin. The Prime Minister had indicated in reply that, if the policy of the Soviet Government was really as inflexible as Mr. Khrushchev had indicated, the position was serious.

In discussion the following points were made:

(a) Since the opening of the discussions both Mr. Khrushchev and President Eisenhower had made public statements reaffirming, without any substantial modification, their respective policies towards Germany. It was still possible that the Soviet leaders would modify their intransigent attitude during the later stages of the discussions. They were not likely to do so, however, until the last possible moment.

(b) Public opinion in this country was becoming aware that any expansion of trade between the United Kingdom and the Soviet Union would depend on our importing Soviet oil in greater quantities and that the main difficulty in the way of an arrangement on these lines lay in the reluctance of the oil companies to co-operate in any scheme which might reduce their profit margins. In these circumstances the Government would be liable to find it increasingly difficult to defend a failure to reach a satisfactory understanding with the Soviet Union about trade.

(c) The Prime Minister had conveyed to President Eisenhower, General de Gaulle and Dr. Adenauer his impression of Mr. Khrushchev's general attitude. It was for consideration whether the other members of the Commonwealth should now be informed, in appropriate terms, of the course of the discussions so far.

The Cabinet—

(1) Invited the Home Secretary to send, on their behalf, a message of good wishes to the Prime Minister, emphasising their continuing concern for the success of his mission despite the initially discouraging response of the Soviet leaders.

(2) Invited the Commonwealth Secretary, in consultation with the Minister of State for Foreign Affairs (Mr. Ormsby-Gore), to arrange for appropriate messages to be sent to the other members of the Commonwealth, informing
them of the course of the Prime Minister's discussions with the Soviet leaders.

(3) Invited the President of the Board of Trade to inform the Prime Minister of the implications of the increasing public awareness in this country of the extent to which an Anglo-Soviet trade agreement would depend on our increasing our imports of Soviet oil.

3. The Cabinet had before them a memorandum by the Minister of State for Foreign Affairs (C. (59) 35) about Guy Burgess.

The Minister of State for Foreign Affairs (Mr. Ormsby-Gore) said that it had now been confirmed that insufficient evidence was available to enable the authorities to prosecute Burgess if he returned to the United Kingdom. Moreover it would be impossible to delay his entry into the country for any length of time on the ground that his identity was uncertain. Burgess had now sought from the Prime Minister in Moscow an assurance that, if he visited his mother in this country for a month, he would be free to return to the Soviet Union at the end of this period. The Prime Minister had suggested that he should defer his answer until his own visit to Moscow was drawing to a close, and that he should then confine himself to a statement that the Government were not prepared to give Burgess any travel facilities.

In discussion there was general agreement with this proposal. It might, however, be appropriate to inform the Prime Minister that, since Burgess could in fact enter this country without difficulty even if we refused him travel facilities, our refusal would have to be defended, if necessary, on grounds of public policy. If, therefore, it was necessary to reply to Burgess at all, it might be desirable to add a warning that the Government had no power to give him the assurance for which he had asked. For example, there was no means of preventing a private individual from prosecuting him for homosexuality. Nor could the authorities be expected to refrain from instituting proceedings if further evidence of an offence under the Official Secrets Acts became available while he was in this country.

The Cabinet—

(1) Approved the proposals in C. (59) 35.

(2) Invited the Minister of State for Foreign Affairs to inform the Prime Minister in Moscow of the lines on which it was suggested that he should reply to the application by Guy Burgess for a safe conduct to enable him to visit the United Kingdom.

4. The Minister of State for Foreign Affairs (Mr. Ormsby-Gore) said that it had now been confirmed that Dr. Alan Nunn May was no longer associated with subversive activities. There were therefore no grounds on which we could justify a refusal to issue to him the passport for which he had applied.

The Cabinet—

Agreed that the application by Dr. Alan Nunn May for a passport should now be granted.

5. The Cabinet had before them:

(i) A Note by the Chancellor of the Exchequer to which was annexed a draft of the statement to be made in Parliament when the Anglo-Egyptian Financial Agreement was signed, together with a draft of Notes for Supplementary Questions (C. (59) 36):

(ii) A Note by the Minister of State for Foreign Affairs (Mr. Profumo) on the extent to which it might be desirable to provide assistance to owners of property in Egypt in order to enable them
to recover their assets after the signature of the Financial Agreement (C. (59) 37).

The Chancellor of the Exchequer said that Mr. Black, the President of the International Bank, had informed him by telephone from Cairo that the Egyptian Government had now agreed that built-up land should be treated as sequestrated, not Egyptianised, property. Since this concession should be to our advantage, in relation to the Smouha estates, it should make the Agreement more easily defensible to public opinion. Subject, therefore, to any further consideration which might be necessary in the light of the more detailed message which Mr. Black had promised to send, we now had no option but to sign the Agreement forthwith; and the Economic Secretary, Treasury, should proceed to Cairo as soon as possible for this purpose.

In discussion it was suggested that we should not finally commit ourselves to signing the Agreement without more precise knowledge of the extent of the modification in the interpretation of the Agreement which Mr. Black had succeeded in obtaining. The draft Parliamentary statement annexed to C. (59) 36 necessarily referred to the difference of opinion on this matter which had developed between the Egyptian Government and ourselves and indicated that we had agreed that signature of the Agreement could now take place in the light of “further information” which had been provided by the Egyptian authorities to Mr. Black. It would have been preferable that the Egyptian Government should have offered us some written assurance about the manner in which the Agreement would be interpreted in relation to the various categories of land involved. But if, as seemed likely, they were not prepared to offer more than an oral undertaking about their intentions, the Government would not find it easy to convince the House of Commons that an assurance of this nature was sufficiently valid to justify their signing the Agreement unless they were able to explain in some detail the nature of the “further information” which Mr. Black had now obtained. In particular, they would be exposed to the criticism that they had accepted a payment of £27½ millions by the Egyptian Government without knowing with certainty the precise total of the claims which would have to be admitted against this sum. On the other hand, the Government had agreed with Mr. Black that his present visit to Cairo would be a preliminary to the signature of the Agreement; and, whatever might be the exact form of the understanding which he had reached with the Egyptian Government, they could not now withhold their signature without breaking with Mr. Black himself. While, therefore, it might be desirable that the Economic Secretary, before signing the Agreement, should verify with Mr. Black personally the result of his discussions with the Egyptian authorities, he should be authorised thereafter to sign it, provided that the text remained as we had hitherto understood it to be.

In further discussion the following points were made:—

(a) The draft Parliamentary statement indicated that the claimed value of the sequestrated properties which would be returned to their owners, was well over £100 millions. But it did not disclose that the value of the Egyptianised properties, in respect of which the Egyptian Government would pay a lump sum of £27½ millions, was estimated to be of the order of £35–45 millions. It might be necessary for the Government to admit this fact; and in that event there was advantage in retaining the reference to the value of the sequestrated assets, as indicating the very considerable amount of British property which would be recovered under the Agreement. On the other hand, to indicate the value of the sequestrated assets but not the value of the Egyptianised assets might merely invite suspicion of the adequacy of
the sum of £27½ millions; and it was for consideration whether it
would be wiser to omit from the statement any estimates of value,
both for the sequestrated and for the Egyptianised properties.

(b) It would be preferable, in the concluding words of the draft
statement, to refer merely to “the settlement which has now been
reached” rather than to “the satisfactory outcome which has now
been reached.”

c) Our objective should be to sign the Agreement on
28th February and to inform Parliament of its terms on 2nd March.
It was important that the White Paper, containing the text of the
various documents involved, should be available when the statement
was made. The Egyptian authorities should, if possible, be dissuaded
from allowing the details of the Agreement to become known until
Parliament had been informed.

d) The Agreement might be critically received by public
opinion; and pressure was liable to develop for supplementary
compensation to be provided from the Exchequer. Such pressure
would need to be resisted for as long as possible. On the other hand
the Government should adopt as generous and sympathetic an
attitude as possible towards requests by owners of property in Egypt
for assistance in recovering their assets. For example, they might
undertake to pay the fares of individuals who would need to visit
Egypt, at least in those cases where hardship would otherwise result.
It was also for consideration whether we should offer assistance to
persons who found it necessary to retain the services of an agent in
order to prosecute their claims to recover their property, to dispose
of unwanted assets and so forth. Messrs. Toplis and Harding had
expressed their willingness to act in this capacity; and it might be
desirable for the Government to contribute to some extent to the
expenditure involved. There was no case, however, for the provision
of free legal aid to claimants. Legal advice would be available to the
owners of assets both from the British Property in Egypt Section in
London and from the Property Office in Cairo. This should suffice
to meet all reasonable needs; and it would be inadvisable for the
Government to encourage ill-founded litigation against themselves by
offering to pay the expenses involved.

The Cabinet—

(1) Invited the Chancellor of the Exchequer to inform the Home
Secretary of the further information to be received from
Mr. Black, the President of the International Bank, of the
extent to which the latter had succeeded in clarifying the
dispute with the Egyptian Government about the
interpretation of the provisional Anglo-Egyptian Financial
Agreement in relation to certain categories of land.

(2) Subject to such further action as might be necessary in the
light of Conclusion (1) above, invited the Chancellor of the
Exchequer to arrange for the Economic Secretary, Treasury, to proceed to Cairo and, af ter verifying with
Mr. Black the result of his latest negotiations with the
Egyptian Government, to sign the provisional Anglo-
Egyptian Financial Agreement on behalf of the United
Kingdom Government.

(3) Invited the Chancellor of the Exchequer to announce the
terms of the Agreement in the House of Commons on
2nd March in a statement on the lines of the draft annexed
to C. (59) 36, as amended in their discussion.

(4) Invited the Chancellor of the Exchequer to arrange for a
White Paper, containing the documents comprised in the
Agreement, to be presented to Parliament simultaneously
with his statement on 2nd March.

(5) Invited the Chancellor of the Exchequer, in consultation with
the Minister of State for Foreign Affairs (Mr. Profumo),
to give further consideration to the extent to which the Government should undertake to provide assistance to owners of property in Egypt in making the necessary arrangements in relation to their assets and to settle a form of words in which the Government's decision on this question could, if necessary, be announced during the debate on the Agreement.

6. The Cabinet had before them a memorandum by the Minister of State for Foreign Affairs (Mr. Profumo) (C. (59) 38) about Indonesia.

The Minister of State for Foreign Affairs (Mr. Profumo) said that it would be necessary to seek to obtain endorsement by the North Atlantic Treaty Organisation (NATO) of our proposal to grant licences for the export of arms to Indonesia unless the supplies involved were likely to increase to a dangerous extent the offensive potential of the Indonesian forces. This policy would be unwelcome to the Dutch Government; and there would therefore be advantage in conveying to them an assurance (the text of which had been approved by the Prime Minister at an earlier stage) that, although we could not enter into a commitment to provide them with military support, we would do everything within our power to assist them in other appropriate ways if the Indonesian Government were to resort to force in prosecuting their claim to Netherlands New Guinea. At the same time we should inform the Indonesian Government that we had noted their declaration that they intended to abstain from the use of force; and that we counted on them to maintain this policy. The terms of these statements had been disclosed to the Governments of Australia and the United States. The Australian Prime Minister had replied that the Commonwealth Government fully appreciated the practical nature of our proposed assurance to the Netherlands. The State Department had noted our proposals; and the fact that they had raised no objection could be taken as an indication of United States support, having regard to the similar assurance which the United States Government had themselves given to the Dutch. Our messages to the Dutch and Indonesian Governments would be private; but the former might wish to make some public reference in the Netherlands Parliament to the fact that they had received certain assurances from the United Kingdom Government.

In discussion there was general agreement with these proposals. It was suggested that it would be consistent with our proposed policy on the supply of arms to Indonesia that we should now restore to some extent export credits guarantee cover in respect of exports to Indonesia. In the light of the poor credit standing of the Indonesian Government, however, this proposal would need to be examined in greater detail.

The Cabinet—

(1) Approved the proposals in C. (59) 38.

(2) Invited the President of the Board of Trade, in consultation with the Chancellor of the Exchequer and the Commonwealth Secretary, to give further consideration to the desirability of providing export credits guarantee cover, in certain cases, for exports to Indonesia.
to give further consideration to the extent to which the Government should undertake to provide assistance to owners of property in Egypt in making the necessary arrangements in relation to their assets and to settle a form of words in which the Government's decision on this question could, if necessary, be announced during the debate on the Agreement.

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The Cabinet—

(1) Approved the proposals in C. (59) 38.

(2) Invited the President of the Board of Trade, in consultation with the Chancellor of the Exchequer and the Commonwealth Secretary, to give further consideration to the desirability of providing export credits guarantee cover, in certain cases, for exports to Indonesia.
7. The Minister of State for Colonial Affairs said that in the light of the current disturbances in the Federation of Rhodesia and Nyasaland, he had decided to postpone his visit to Nyasaland for constitutional discussions. But he would adhere to his intention to visit East Africa in the following week; and it might be possible for him to proceed to Nyasaland thereafter. The situation in the Federation was confused: a state of emergency had been declared in Southern Rhodesia and similar action might shortly become unavoidable in Nyasaland.

In discussion the Cabinet were informed that there was some reason to suppose that the recent riots in the Federation had been carefully planned and had been deliberately directed against Europeans. The white people in Nyasaland, whose safety remained the direct responsibility of the United Kingdom Government, might be in some danger; and steps should be taken urgently to ascertain what reinforcements could, if necessary, be made available to the security forces. In particular, it was for consideration whether certain helicopters and light aircraft, which were due to be withdrawn from Cyprus, should be transferred forthwith to Nairobi.

The Cabinet—

(1) Took note, with approval of the decision of the Minister of State for Colonial Affairs to defer his visit to Nyasaland for constitutional discussions.

(2) Invited the Minister of State for Colonial Affairs, in consultation with the Commonwealth Secretary and the Minister of Defence, to submit to the Home Secretary that day an appreciation of the security situation in the Federation of Rhodesia and Nyasaland together with proposals for the despatch of such reinforcements as appeared to be necessary.

8. The Minister of State for Colonial Affairs informed the Cabinet that the EOKA leader, Colonel Grivas, had made it known that he would not undertake to discontinue his terrorist activities in Cyprus unless satisfactory arrangements were made for the future of himself and his followers. The Greek Foreign Minister, M. Averoff, had suggested that he might visit Cyprus in order personally to escort Colonel Grivas back to Greece. It would be desirable to convince M. Averoff of the objections to any suggestion that terrorists should be allowed to leave the Island with a show of honour and ceremony; but, since it was desirable that the EOKA leaders should be removed from Cyprus as soon as possible, it might be advisable to include in the forthcoming statement about a general amnesty an undertaking that arrangements would be made for these men to leave the Island under safe conduct, on condition that they would not return without the permission of the Government of Cyprus. It would be necessary, however, to ascertain that this proposal would be acceptable to the Turkish Government.

The Cabinet—

(1) Agreed that, subject to the concurrence of the Governor of Cyprus and the Turkish Government, the EOKA leaders might be allowed to leave Cyprus under safe conduct, provided that they undertook not to return to the Island without the consent of the Government of Cyprus.

The Minister of State for Foreign Affairs (Mr. Profumo) said that M. Averoff had suggested that selected Greek students should be sent to Cyprus to take part in the public celebrations in connexion with the return of Archbishop Makarios to the Island. The Turkish Government had raised no objection to this proposal, provided that the number of students involved was small. It now appeared,
however, that arrangements were being made for some 800 students to leave for Cyprus. M. Averoff considered that they would not constitute a significant addition to the very large number of Cypriots who were expected to congregate in order to welcome the Archbishop on his return; and he was prepared to ask the Bishop of Kitium to emphasise to all those concerned in the celebrations the importance of exercising proper restraint on this occasion. In these circumstances it would be difficult for us to sustain an objection to the proposal; but it would be desirable to explain to the Turkish Government that we, no less than they, had been misinformed about the scale of the enterprise.

The Cabinet—

(2) Agreed that no objection need be raised to the proposal of the Greek Government to send 800 Greek students to Cyprus to take part in the celebrations in connexion with the return of Archbishop Makarios to the Island.

(3) Invited the Minister of State for Foreign Affairs (Mr. Profumo) to arrange for the Turkish Government to be informed of the circumstances in which we had acquiesced in this proposal.

9. The Minister of Transport and Civil Aviation said that the British Overseas Airways Corporation were proceeding to give effect to the recommendations of the Committee of Inquiry into the causes and circumstances of the recent dispute at London Airport. Action had already been taken to ensure that shop stewards would not henceforward devote the whole of their working time to trade union affairs; and the Corporation intended to take further steps to promote increased efficiency in their engineering department. It had been established that the cost of maintenance work carried out by the department was twice as great as that of the Corporation's competitors; and, after an expert investigation and full consultation with the staff organisations, the Corporation proposed to declare 2,000 posts redundant. The consequent dismissals would, however, be spread over a period, and compensation would be paid where appropriate.

In discussion there was general agreement that the Corporation were right to proceed with the proposed reorganisation. It was possible, however, that subversive elements would take this opportunity to renew their attempts to disrupt the working of London Airport, and the situation should be kept under close review.

The Cabinet—

Invited the Minister of Transport and Civil Aviation to keep under review developments at London Airport following the action to be taken by the British Overseas Airways Corporation to reorganise their engineering department.

Cabinet Office, S.W. I,
26th February, 1959.