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C.C. (59)
4th Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1,
on Tuesday, 3rd February, 1959, at 11.30 a.m.

Present:

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

The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department and Lord Privy Seal.	The Right Hon. VISCOUNT KILMUIR, Lord Chancellor (<i>Items 3-6</i>).
The Right Hon. SELWYN LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs.	The Right Hon. D. HEATHCOAT AMORY, M.P., Chancellor of the Exchequer.
The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.	The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland.
The Right Hon. VISCOUNT 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. IAIN MACLEOD, M.P., Minister of Labour and National Service.	The Right Hon. LORD MILLS, Minister of Power.
The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.	The Right Hon. GEOFFREY LLOYD, M.P., Minister of Education (<i>Items 1-5</i>).
The Right Hon. JOHN HARE, M.P., Minister of Agriculture, Fisheries and Food.	Dr. the Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The Right Hon. REGINALD MAUDLING,
M.P., Paymaster-General.

The following were also present:

The Right Hon. The EARL OF SELKIRK, First Lord of the Admiralty (<i>Item 6</i>).	The Right Hon. Sir REGINALD MANNINGHAM-BULLER, Q.C., M.P., Attorney-General (<i>Item 6</i>).
Mr. C. J. M. ALPORT, M.P., Parliamentary Under-Secretary of State for Commonwealth Relations.	Mr. MARTIN REDMAYNE, M.P., Lord Commissioner, Treasury (<i>Items 2-6</i>).

Secretariat:

The Right Hon. Sir NORMAN BROOK.
Mr. B. ST. J. TREND.
Mr. M. REED.

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C.C. 4 (59)

Europe.

(Previous
Reference:
C.C. (58) 84:h
Conclusions,
Minute 5.)

*1. *The Prime Minister* said that a dangerous situation might well result from the Soviet Government's declaration of their intention to withdraw from East Berlin and to leave the East German Government in control of that part of the city and also of the approaches to West Berlin. This declaration, and the subsequent offer to negotiate a Peace Treaty for Germany, had exposed the latent differences of attitude, on the part of the leading members of the North Atlantic Alliance, on the response to be made to a transfer of authority in Berlin and the lack of a common practicable policy on the wider question of the future of Germany as a whole. There was now an increasing expectation that a Four-Power meeting would be held in the spring to resolve the immediate problem of Berlin and to discuss the wider question of European security. But it would be hazardous for the Western Powers to enter into such discussions under the threat of a Soviet ultimatum and without agreement on a common policy to be pursued in the discussions. It was urgently necessary that some fresh initiative should be taken to break the present deadlock and to find a basis for Western agreement.

The Prime Minister said that in these circumstances he had thought it right to indicate to the Soviet Government that he would now be prepared to accept the invitation, which had been extended to his predecessor, to make a visit to the Soviet Union; and the Soviet Government had accepted his suggestion that he and the Foreign Secretary should make a visit of 7 to 10 days beginning about 20th February. This would give him an opportunity to try to ascertain the views and intentions of the Soviet Government in respect of Berlin and of the wider issue of Germany's future. And it would be natural that he should thereafter go to Bonn, Paris and Washington to discuss these problems in the light of the views expressed by the Soviet leaders. These visits would be a valuable preparation for any Four-Power meeting that might be held later in the year.

The United States Government had been consulted about this approach before it was made. They would now be informed that it had been accepted. The Governments of France and Western Germany and the Commonwealth Governments would also be informed that day of the arrangements for the visit and of its purpose. A statement about it would be made at the meeting of the North Atlantic Council on the following day. A public announcement would be made to Parliament on 5th February.

In discussion there was general support for the initiative which the Prime Minister had taken in proposing this visit to the Soviet Union. It was the view of the Cabinet that this would be generally welcomed by public opinion in this country.

The Cabinet—

Endorsed the arrangements which had been made for the Prime Minister and the Foreign Secretary to visit Moscow later in the month for the purposes indicated in the discussion.

* Previously recorded in a Confidential Annex.

Egypt.
Financial
Negotiations.
(Previous
Reference:
C.C. (59) 3rd
Conclusions,
Minute 3.)

2. *The Foreign Secretary* said that we had informed Mr. Black, the President of the International Bank for Reconstruction and Development, of the divergence of view between the Egyptian Government and ourselves about the interpretation of the provisional Anglo-Egyptian financial agreement in relation to sequestered assets which had subsequently been Egyptianised. As a result, Mr. Black had made representations to the Egyptian Government and we should await the outcome of this approach before taking any further action ourselves.

The Cabinet—

Took note of this statement.

Parliament.

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

**Economic
Situation.**
(Previous
Reference:
C.C. (58) 86th
Conclusions,
Minute 5.)

4. *The Chancellor of the Exchequer* informed the Cabinet that during January our deficit in the European Payments Union had been repaid and the level of our reserves of gold and convertible currencies had risen by £15 millions. The sterling/dollar exchange rate was steady at 2·81 dollars. This represented a satisfactory position at the end of the first month's experience of convertibility of sterling.

**Commercial
Policy.**
Horticulture.
(Previous
Reference:
C.C. (59) 2nd
Conclusions,
Minute 7.)

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (59) 13) reporting the result of a further review by the Economic Policy Committee of the desirability of an increase in the tariff on cut flowers.

The Chancellor of the Exchequer said that the majority of the members of the Committee felt that an increase in the horticultural tariff should be authorised only if it could be shown that a reasonably efficient producer was unable to make a living without additional protection and that the decline in profitability from which he suffered was due to the impact of imports on the domestic market; that, in the case of cut flowers, neither of these criteria was at present satisfied; and that the application for an increase in the tariff should therefore be rejected as unjustified on economic grounds. This should not, however, affect the Government's general policy that the tariff remained the principal instrument for protecting the horticultural industry.

The Minister of Agriculture dissented from this view. The costs of hot-house production had recently increased more sharply in this country than in Holland; there had been a substantial increase in the value of imports of carnations since 1955; and the tariffs on roses and narcissi were well below the 10 per cent. general duty. It was for consideration whether we should now establish a system of guaranteed prices in horticulture as in agriculture; but any arrangements of this kind could not take effect in the short term and the economic case for an interim increase in the tariff on cut flowers was clear. Moreover it would demonstrate the Government's intention to preserve the tariff as the principal means of horticultural protection and it would counteract to some extent the effect of their recent decision not to increase the tariff on tomatoes.

In discussion it was emphasised that both the industry and its supporters in Parliament were seriously perturbed by the Government's rejection of a number of applications for increases in horticultural tariffs particularly on tomatoes, and were inclined to

believe that those decisions had been taken on political, rather than economic, grounds. It might be desirable, therefore, to consider a modified method of operating the tariff on tomatoes, whereby the level of the tariff would be related not to the season but to the price of imported tomatoes so that, if the price fell below a pre-determined figure, the flow of imports would be arrested or the tariff would automatically be increased. A system of this kind was operated in certain other countries and its adoption might embarrass us less than a straightforward increase in tariffs in our relations with our partners in the European Free Trade Area negotiations. If, however, the adoption of such a scheme provided an effective measure of increased protection for the industry, this would have a significant reaction on the cost-of-living index.

On the other hand, an increase in the tariff on cut flowers would have no effect on the index and would help to reassure the industry of the Government's intentions. But it would be liable to prejudice our relations with other countries in Europe; and it was open to question whether it would in fact afford the industry any substantial benefit.

The Prime Minister, summing up the discussion, suggested that both the economic and the political implications of an increase in the tariff on cut flowers needed to be further examined in the light of the alternative methods of operating a system of horticultural protection which had been indicated during the discussion.

The Cabinet—

Took note that the Prime Minister would arrange for further consideration to be given to the desirability of adjusting certain horticultural tariffs in the light of the points made in their discussion.

6. The Cabinet had before them a memorandum by the Foreign Secretary (C. (59) 15) discussing the policy to be adopted at the conference to be held at Geneva in 1960 on the outstanding problems on the breadth of the territorial sea and fishing limits. There was now no hope that we could sustain a claim to a 3-mile territorial sea; and, if we were to avoid being compelled to accept a 12-mile limit, we must support a reasonable compromise based on a 6-mile limit for the territorial sea together with some limitation of fishing rights in a further 6-mile zone, subject to the preservation of historic rights. Such historic rights could take three forms—full, limited, or “phased out.” We could not expect to secure the agreement of the conference to full historic rights, which would imply that countries with established fisheries could exercise such rights without limitation. Nor would it be in our interest to accept an arrangement whereby historic rights were phased out over a period. We should therefore endorse the concept of limited historic rights, which would allow the exercise of such rights in the outer 6 miles provided that the amount of fishing did not exceed recent levels.

In discussion there was general agreement that we should endeavour, by preparatory negotiations, to mobilise the maximum of support for an approach on these lines. It would be particularly important to secure the co-operation of the Canadian and Indian Governments. It was also agreed that, as there was no possibility of securing rights of innocent passage for State aircraft at the conference, we should avoid raising this issue ourselves, even in respect of

international straits, and should prepare to continue flying military aircraft over such straits in order to begin establishing new prescriptive rights after the adoption of a 6-mile territorial sea.

The Cabinet—

- (1) Approved the proposals in C. (59) 15.
- (2) Invited the Foreign Secretary to advise the Prime Minister on the stage in the preparatory negotiations at which it might be advisable for him to address a personal message to the Prime Ministers of Canada and India in an endeavour to secure their support for the policy which we proposed to advocate at the conference on the territorial sea to be held at Geneva in 1960.

*Cabinet Office, S.W. 1,
3rd February, 1959.*

E.R.