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C.C. (60)
26th Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1,
on Wednesday, 13th April, 1960, at 10 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	The Right Hon. VISCOUNT KILMUIR, Lord Chancellor
The Right Hon. D. HEATHCOAT AMORY, M.P., Chancellor of the Exchequer	The Right Hon. THE EARL OF HOME, Lord President of the Council and Secretary of State for Commonwealth Relations
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland	The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord Privy Seal and Minister for Science
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence	The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. Sir DAVID ECCLES, M.P., Minister of Education	The Right Hon. LORD MILLS, Pay- master-General
The Right Hon. EDWARD HEATH, M.P., Minister of Labour	Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport	

The following were also present:

The Right Hon. LORD CARRINGTON, First Lord of the Admiralty (<i>Item 4</i>)	The Right Hon. THE EARL OF PERTH, Minister of State for Colonial Affairs (<i>Items 3-4</i>)
The Right Hon. JOHN PROFUMO, M.P., Minister of State for Foreign Affairs	Mr. F. J. ERROLL, M.P., Minister of State, Board of Trade (<i>Item 3</i>)
The Right Hon. SIR REGINALD MANNINGHAM-BULLER, Q.C., M.P., Attorney-General (<i>Item 4</i>)	The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury
Mr. J. B. GODBER, M.P., Joint Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food (<i>Items 3-4</i>)	

Secretariat:

The Right Hon. SIR NORMAN BROOK
Mr. F. A. BISHOP
Mr. M. REED

SECRET

		CONTENTS						
<i>Minute No.</i>		<i>Subject</i>						<i>Page</i>
1	Nuclear Weapons Blue Streak.	...	...	...	...	...	...	3
2	Parliament ...	...	...	...	...	...	...	3
3	Economic Situation Balance of Payments. Oversea Development.	...	...	...	...	...	...	3
4	Law of the Sea ...	...	...	...	...	...	...	4

SECRET

3

C.C. 26 (60)

Nuclear Weapons.
(Previous Reference: C.C. (60) 7th Conclusions, Minute 6.)
Blue Streak.

1. *The Prime Minister* said that the Defence Committee had for some time been considering what would be the best vehicle for delivering the United Kingdom contribution towards the nuclear deterrent when the Bomber Force ceased to be an effective means of delivery. Hitherto it had been assumed that this Force would be supplemented, and eventually replaced, by the static ballistic missile Blue Streak. In view of later technical developments, however, the Chiefs of Staff had advised that a static weapon of this kind would be excessively vulnerable and that our contribution to the nuclear deterrent, if it was to continue to be effective, must in future be based on some mobile means of delivery. The Prime Minister said that, during his recent visit to Washington, he had satisfied himself that we should be able in due course to obtain from the United States, on acceptable terms, supplies of one or other of the alternative types of mobile weapon, to be armed with a British warhead. In these circumstances the Defence Committee had decided that it would be wrong to proceed with the existing programme for the development of Blue Streak as a military weapon. There was a possibility that the Blue Streak programme could be adapted for the development of a rocket for use in space research; and this possibility would now be explored in detail in consultation with the firms concerned.

This decision was of close concern to the Australian Government in view of their expenditure on the range at Woomera. The Prime Minister of Australia had therefore been kept fully informed of the strategic arguments and he concurred in the view that Blue Streak should not be further developed as a military weapon.

It was proposed that this decision should be announced in the House of Commons by the Minister of Defence that afternoon.

The Cabinet—

Confirmed the decision that the further development of the ballistic missile Blue Streak as a military weapon should be abandoned.

Parliament.

2. The Cabinet were informed of the business to be taken in the House of Commons in the week after the Easter recess.

Economic Situation.
Balance of Payments.
(Previous Reference: C.C. (60) 22nd Conclusions, Minute 4.)
Overseas Development.
(Previous Reference: C.C. (60) 15th Conclusions, Minute 6.)

3. The Cabinet resumed their discussions of a memorandum by the Chancellor of the Exchequer (C. (60) 60) about the prospects for the balance of payments during 1960 and the scale of external expenditure in the period 1960-63. They also had before them a memorandum by the Chancellor of the Exchequer (C. (60) 61) covering a report by officials on overseas development policy.

The Chancellor of the Exchequer said that the latest information tended to confirm the forecast that the external monetary position was likely to deteriorate by about £200 millions in 1960. There was, however, some possibility that the continued increase in the rate of imports was beginning to moderate. Nevertheless there was a sombre prospect that the unfavourable trend in the balance of payments might continue for a number of years. On present policies it was most unlikely that over the next few years our surplus on current account would be enough to enable us to meet our capital commitments. In the long run we should have to relate our overseas commitments to the foreign exchange earning capacity of the economy.

If the economy were to proceed on its present course, the growth of exports might be restrained by the competing pull of the home market. It would be undesirable to reimpose physical controls on imports, even if it were possible to do so, because of the possibility of

SECRET

retaliation. It was not practicable to improve our prospects rapidly by limiting investment and expenditure abroad. We should therefore be obliged to rely on a combination of encouraging exports and restraining the excessive growth of home demand by monetary measures.

There was general agreement with the measures recommended in C. (60) 61 for the co-ordination of our oversea development policies. In discussion of the economic situation the following points were made:

- (a) The warning which the Chancellor of the Exchequer had given about the development of excessive pressures on the economy had already had a valuable effect on the credit policies of the banks. It might in due course be necessary to introduce moderate measures to restrain the increase in hire-purchase and other credit facilities.
- (b) A general exhortation to encourage exports would not be useful. It would be better to concentrate encouragement and advice on those firms whose export performance could be improved. The possibility of devising some fiscal preference for exports might be re-examined, although on general grounds it would not be in our interest to introduce anything in the nature of export subsidies.
- (c) It was increasingly difficult to achieve any considerable increase in export earnings because of the growing competition from other industrial countries. Our export prospects would be much improved if our industrial competitors would open their markets more freely to the raw materials which our main oversea customers needed to sell if they were to expand their markets for our manufactured products.
- (d) It could be argued that, having regard to the vulnerable position of our balance of payments, we had gone too far in removing quantitative restrictions on imports. On the other hand, the removal of quantitative restrictions here could be justified in order to prevent the introduction of retaliatory restrictions on our exports.

The Cabinet—

Approved the recommendations in paragraph 48 of the report on oversea development policy attached to C. (60) 61.

Law of the Sea.

(Previous Reference: C.C. (60) 22nd Conclusions, Minute 2.)

4. The Committee had before them a memorandum by the Lord Chancellor (C. (60) 67) on the latest developments at the International Conference on the Law of the Sea at Geneva.

The Lord Chancellor said that Denmark was now willing to support the Canadian and United States proposal for a six-mile territorial sea plus an outer six-mile zone in which the coastal States would have exclusive fishing rights, subject to the phasing-out after ten years of historic rights claimed by fishing States ("six plus phased-out six"), provided that we would undertake to enter into a bilateral agreement for the phasing-out of our fishing rights off the coast of the Faroes after only five years or such shorter period as might be agreed for the phasing-out of our rights off the coast of Iceland.

If, however, both this proposal and the proposal for a twelve-mile territorial sea failed to secure the necessary majority in the committee stage of the Conference, a proposal for a nine-mile territorial sea would probably be tabled at a late stage. A decision was required whether a nine-mile territorial sea would be preferable to the breakdown of the Conference without agreement. If the Conference

SECRET

5

C.C. 26 (60)

were to fail completely, a large number of countries might successfully assert by unilateral action a twelve-mile territorial sea or an exclusive fishing zone of twelve or more miles, or both. From the point of view of our fishery interests, a nine-mile territorial sea would be preferable to such a situation; indeed the nine-mile limit would suit our fishery interests better than the Canadian and United States proposal.

From the strategic point of view, however, a territorial sea of nine miles was hardly less objectionable than one of twelve; but, provided that the right of innocent passage for warships was preserved, it could be accepted if the only alternative would be the complete failure of the Conference. It was therefore recommended that the United Kingdom delegation should be instructed, in the last resort and to avoid a breakdown of the Conference, to support a proposal for a nine-mile territorial sea.

In discussion some doubt was expressed about the soundness of this suggestion. It was far from certain that the United States could be persuaded to support the proposal, and it was essential that for the time being their views on it should not be sought. The practical results of a breakdown of the Conference were difficult to predict. If a substantial number of countries did not in fact unilaterally assert a twelve-mile territorial sea, it was possible that the International Court would hold that a limit of no more than six miles was valid in international law and would refuse to recognise exclusive fishing rights outside the limit of the territorial sea. Moreover, if we had voted at the Conference in favour of a territorial sea of nine miles and that proposal had failed to secure the necessary majority, the fact that we had supported it would count against us if we were later obliged to claim before the International Court that some narrower limit should be recognised. On the other hand, from the point of view of our fishery and shipping interests and possibly also of our strategic interests, any agreement at the Conference was likely to be preferable to the chaotic conditions which must be expected to result from a failure to agree.

The Prime Minister said that the relative merits of the courses that might be put to the Conference should be further considered on the following day, when the result of the voting on the Canadian and United States proposal would be known and the Minister of Agriculture and Fisheries would be available to report on the latest developments at Geneva.

The Cabinet—

Took note that the Prime Minister would arrange for future tactics at the International Conference on the Law of the Sea to be further considered by the Ministers concerned at a meeting on the following day.

*Cabinet Office, S.W. 1,
13th April, 1960.*

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