CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Tuesday, 6th February, 1962, at 11 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. SELWYN LLOYD, Q.C., M.P., Chancellor of the Exchequer
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Aviation
The Right Hon. REGINALD MAUDLING, M.P., Secretary of State for the Colonies
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport

The Right Hon. VISCOUNT KILMUIR, Lord Chancellor
The Right Hon. THE EARL OF HOME, Secretary of State for Foreign Affairs
The Right Hon. HENRY BROOKE, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. IAIN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. SIR DAVID ECCLES, M.P., Minister of Education
The Right Hon. JOHN HARE, M.P., Minister of Labour
Dr. THE RIGHT HON. CHARLES HILL, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food

The following were also present:
The Right Hon. MARTIN REMAYNE, M.P., Parliamentary Secretary, Treasury

The Duke of Devonshire, Joint Parliamentary Under-Secretary of State for Commonwealth Relations (Items 3–6)

Secretariat:
The Right Hon. SIR NORMAN BROOK
Mr. A. L. M. Cary
Mr. J. H. Waddell
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The Queen

1. The Cabinet invited the Prime Minister to send to Her Majesty The Queen a message expressing their loyalty and congratulations on the tenth anniversary of her accession to the Throne.

Foreign Affairs

2. The Foreign Secretary said that the United States Ambassador in Moscow, Mr. Thompson, had now held three discussions with the Soviet Foreign Minister, Mr. Gromyko, in pursuance of his instructions to ascertain whether a basis could be found for negotiations on the future of West Berlin. No progress had been made, but Mr. Gromyko had shown no signs of impatience. It was conceivable that the Soviet Government were less anxious for a new settlement on Berlin now that they had secured more effective control over movement between the two parts of the city. But it might be possible to probe rather more deeply into their attitude if the British Ambassador in Moscow were now to hold some separate discussions with Mr. Gromyko. Within the limits of the agreed instructions to Mr. Thompson he should be able to ascertain whether Mr. Gromyko was prepared to enter into detailed discussion on such points as the status of Western troops in West Berlin and the basis of future dealings with the Government of East Germany. The Foreign Secretary said that he was taking steps to ascertain whether the United States Government would favour such an approach.

The Cabinet—
(1) Took note of this statement by the Foreign Secretary.

Leipzig Fair, 1962

The Foreign Secretary said that it had been proposed in the North Atlantic Council that members of the Alliance should discourage their nationals from supporting the Leipzig Fair, which was exploited for propaganda purposes by the East German Government. He had been considering with the President of the Board of Trade whether any further action should be taken to discourage British firms from supporting this Fair.

In discussion it was suggested that West German firms would not miss this opportunity of expanding their business with East Germany and that, short of an effective boycott by all members of the North Atlantic Alliance, it seemed unreasonable that we should take further action which would penalise our export prospects. There was general agreement that, while we should conform to any resolution adopted by the North Atlantic Council, we should not take any separate initiative to discourage British firms from attendance at this Fair. Any public statement on behalf of the United Kingdom Government should follow the announcement of an agreement on this question in the North Atlantic Council, and should merely draw the attention of British firms to that agreement.

The Cabinet—
(2) Invited the Foreign Secretary and the President of the Board of Trade to deal with the problem of British representation at the Leipzig Fair in the light of the views expressed in the Cabinet's discussion.
3. The Colonial Secretary said that he would be expected to make an early statement in Parliament on his recent visit to the West Indies. His primary object had been to discuss with the leaders of the Governments in the Eastern Caribbean the situation arising from Jamaica’s desire to leave the West Indies Federation. The main elements in the situation were that the Government had accepted the decision of Jamaica to withdraw from the Federation; that Trinidad and Tobago had decided not to participate in any federation of the Eastern Caribbean; and that the Ministers in the Leeward and Windward Islands, while advocating a new federation between their territories, were agreed that the present Federation should be dissolved. He proposed to inform Parliament that in these circumstances the Government had decided, with regret, that they had no alternative but to arrange for the Federation to be dissolved; that legislation for this purpose would shortly be introduced and that the Bill would provide for an interim organisation to be set up under a commissioner appointed by the Government to administer the common services for the time being until more permanent arrangements could be worked out in consultation with the local Governments. It would be premature to describe the suggested federation of Barbados and the Leeward and Windward Islands as more than a promising development, and he would emphasise the need for further study before any final decisions could be taken on it.

In discussion there was general agreement in the Cabinet that the dissolution of the West Indies Federation could not be prevented. It was noted that officials of the Treasury and the Colonial Office were examining the economic problems involved in future constitutional developments.

The Cabinet—

Authorised the Colonial Secretary to make an early statement in Parliament, on the lines which he had indicated, on future constitutional developments in the West Indies.

4. The Cabinet had before them a memorandum by the Minister of State for Colonial Affairs (C. (62) 17) on whaling in South Georgia.

The Colonial Secretary said that two companies, one Scottish and the other Norwegian, were now operating whaling stations from South Georgia. The Scottish company had been losing money steadily and now had an opportunity to dispose of its interests to a Japanese company. If this company acquired the Scottish station, it would probably acquire the Norwegian station also in course of time. The population of South Georgia would then be mainly Japanese. This might be awkward for our administration of the island; but he could see no valid reason for refusing to allow the Scottish company to sell.

In discussion the following points were made:

(a) If this deal went through, the Scottish company would probably discontinue its whaling operations altogether in the next few years. Whale oil was not important to our economy. The four hundred Shetlanders now employed in this industry would be able to find other employment as seamen.

(b) If the Government sought to obstruct the sale, they would be pressed to subsidise these whaling operations.

(c) It was thought unlikely that objection would be raised by the Australian and New Zealand Governments. They should, however, be given an opportunity for comment. A change of ownership of the whaling stations in South Georgia might increase our difficulties in maintaining our claims to sovereignty in the Antarctic.

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(d) The Japanese company should not be given any assurance that there would be no change in the duty on whale oil, which had been adjusted to favour a British whaling industry.

The Cabinet—

(1) Invited the Commonwealth Secretary to arrange for the Governments of Australia and New Zealand to be given an opportunity for comment on the proposed sale of this whaling station in South Georgia to a Japanese company.

(2) Subject to Conclusion (1), agreed that no objection should be raised to the sale of this whaling station to a Japanese company.

Germany

5. The Cabinet had before them a memorandum by the Deconcentration Foreign Secretary (C. (62) 19) on the present state of the plan for de-concentrating Krupp's industrial interests in West Germany.

The Foreign Secretary said that the problem now centred on the Rheinhausen Company, an integrated coal and steel enterprise whose present value would be well over £100 million. The Federal Government would not be willing, even if they were able, to introduce legislation to enforce the sale of this company by nationalisation or by other means. There seemed no prospect of a sale on any voluntary basis. It therefore seemed that the United Kingdom Government had no alternative but to join with the United States and French Governments in relieving the Federal German Government of any further obligation to carry through the deconcentration plan which had been agreed as part of the Bonn Settlement Convention. The timing of any announcement to this effect would need consideration; it might have an important bearing on negotiations for our entry into the Common Market.

In discussion the following points were made:

(a) The logical time to announce the abandonment of this plan would be after a decision had been taken on United Kingdom membership of the European Coal and Steel Community. Krupp's coal and steel interests were under the general control of the Community and it could be argued that, once the United Kingdom had become a member of the Community, our interests would be better served by leaving Herr Krupp in control of the Rheinhausen Company than by putting him in a position to invest more than £100 million in other enterprises over which we should be unable to exercise any control.

(b) If it became known that the Government were considering relieving the Federal Government of this obligation, this would have embarrassing political consequences and might also be held to be in some way connected with the current negotiations with the Federal Government on support costs and arms purchases. There was in fact no reason for the Government to take the initiative in this: the mixed committee of independent experts which had been set up to consider the matter would almost certainly recommend a further extension of the time limit until 31st January, 1963, in default of any decision by the French, United States and United Kingdom Governments to abandon the deconcentration plan.
SECRET

The Cabinet—

(1) Agreed that no action should be taken which might have the effect of accelerating a decision to abandon the Krupp deconcentration plan or of requiring the Government to declare their present attitude towards this.

(2) Invited the Foreign Secretary to review the position in the light of any further moves by the French and United States Governments and in any case before 31st January, 1963.

6. The Cabinet had before them a memorandum by the Chief Secretary, Treasury (C. (62) 21) on short-term economies in the cost of agricultural support and the Annual Farm Price Review.

The Chief Secretary, Treasury, said that, in accordance with earlier decisions of the Cabinet, officials had examined the possibility of securing further economies in the cost of agricultural support in the short term. It would be inexpedient at this stage to make the major change in policy which would be involved by applying the principle of "standard quantities", which would limit the quantity of produce on which guaranteed prices were paid for certain commodities for which no such limits were at present fixed. It would, however, be practicable to abolish the general Exchequer subsidy on milk. This subsidy arose because the standard quantity on which the price of milk was guaranteed exceeded by some 100 million gallons the total amount of liquid consumption (including a margin to cater for drought conditions), of which the cost was recovered from consumers. The Exchequer bore the loss on this difference of 100 million gallons which had been sold for manufacturing. Officials had recommended that if the subsidy were to be removed this should be done by raising the price of liquid milk to consumers by ¼d. a pint for four months in the year above what it would otherwise have been. The Farm Price Review Committee had considered this recommendation and had agreed that, whether it could be accepted or not, consultations with the National Farmers' Unions should be opened on the basis that there must this year be a minimum determination which would enable the value of the guarantees to farmers to be reduced by about £14½ million.

It seemed on the whole desirable that the Government should in this year's Review take back an increase of 0.8d. per gallon on milk, which had been given in the previous year on the understanding that the unions would propose an alternative (which they had not in fact been able to devise) to the present support arrangements. The benefit of this change, however (amounting to about £6½ million) would accrue to the consumer rather than the Exchequer, and the advantage to the Exchequer from a minimum determination would in consequence be limited to £8 million. He therefore proposed that in addition to taking back the 0.8d. per gallon increase, £8 million should be saved for the Exchequer by adopting the recommendation of officials that the general milk subsidy should be abolished. Taken together with the £8 million saving on commodities other than milk, this would give a total saving to the Exchequer of £16 million.

The Minister of Agriculture said that a decision on these lines could be criticised as unfair to consumers. It would require the consumer of liquid milk to meet, not only the cost of the milk consumed directly plus the cost of the margin for drought conditions, but also the loss on the 100 million gallons which were used for manufacturing purposes. The change would be represented as involving a tax on milk of ¼d. a pint for four months.
Discussion showed that it was the general view of the Cabinet that, despite the difficulty to which the Minister of Agriculture had referred, it would be desirable to secure the full range of savings which had been proposed. It would be recognised that consumers of liquid milk were also consumers of milk products. Moreover, in view of the special difficulties which had been experienced over agricultural support prices in the past year, the Government would be considered justified in making every possible saving. This would hold even if, as in the present case, it could be said that withdrawal of the general milk subsidy might encourage farmers to produce more beef, which would further depress meat prices and increase the cost of support.

The Cabinet—

(1) Agreed that in the forthcoming Annual Farm Price Review the Government should aim at withholding the 0.8d. per gallon increase agreed in the previous review and securing £8 million savings on commodities other than milk.

(2) Agreed in principle that the general Exchequer subsidy on milk should be abolished.

Cabinet Office, S.W. 1,