CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W.1, on Thursday, 5th July, 1962, at 10.30 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
The Right Hon. SELWYN LLOYD, Q.C., M.P., Chancellor of the Exchequer
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. REGINALD MAUDLING, M.P., Secretary of State for the Colonies
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal
The Right Hon. FREDERICK ERROLL, M.P., President of the Board of Trade

The Right Hon. VISCOUNT KILMUIR, Lord Chancellor
The Right Hon. VISCOUNT HALSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations
The Right Hon. HAROLD WATKINSON, M.P., Minister of Defence
The Right Hon. LORD MILLS, Minister without Portfolio
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food

The following were also present:
The Right Hon. RICHARD WOOD, M.P., Minister of Power (Item 9)
The Right Hon. LORD CRAIGTON, Minister of State, Scottish Office (Item 9)
The Right Hon. MARTIN REDMAYNE, M.P., Parliamentary Secretary, Treasury

Secretariat:
The Right Hon. SIR NORMAN BROOK
Mr. A. L. M. CARY
Mr. J. H. WADDELL

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

The Lord President said that it would be difficult to avoid an early debate in the House of Lords on the Report of the Committee on Broadcasting. This could be held either on a Motion already tabled by Lord Morrison of Lambeth calling attention to the Report, or on a Government Motion seeking approval of the Government's White Paper. After discussion it was agreed that the second of these alternatives was to be preferred.

2. The Home Secretary said that he had been able to persuade Dr. Banda that the constitutional conference on Nyasaland should be deferred until November, and that no statement on secession should be made for the time being. This was a satisfactory outcome, as it meant that the elections in Northern Rhodesia would be over before the conference on the future of Nyasaland began. During his stay in London Dr. Banda had made little impact on public opinion and he was now on his way back to Nyasaland.

The Cabinet—

Took note of this statement.

3. The Cabinet were informed that in Algeria the provisional Executive had assumed the powers of a provisional Government, but members of the earlier Government had now returned from Tunisia and the two bodies were likely to merge into a single Government under the leadership of Ben Khedda. The Soviet Government had already recognised Ben Khedda as the Head of the new Algerian Government; but we, with the knowledge of the French Government, were withholding entry into formal relations until the political position had clarified.

The Cabinet were informed that discussions on Laos were now proceeding in Geneva. Representatives of Thailand were taking part in these discussions. Two questions were proving difficult—one, the relations of Laos with the South-East Asia Treaty Organisation and, secondly, the integration of the military forces in Laos. The Laotians were claiming that this second question was a matter of internal jurisdiction, but other parties to the Conference considered it to be of international concern.

4. The Colonial Secretary said that the Commission appointed to enquire into the disturbances in British Guiana in February 1962 were not now expected to submit their report before August. He had informed the Premier, Dr. Jagan, that in these circumstances he must postpone the Conference on further constitutional development in British Guiana, which was to have been held in July, and that he now proposed to hold this as soon as practicable after the Meeting of Commonwealth Prime Ministers in September. Dr.
Jagan had taken offence at this postponement, and it was possible that he might try to get the United Nations to invite the Committee of Thirteen to make an independent investigation into conditions in British Guiana. It was to be hoped that, in this event, the United States Government would support us in opposing any such resolution in the United Nations.

The Lord Privy Seal said that he would convey a suitable warning about this to the Acting Secretary-General of the United Nations, who was at present in London.

5. The Lord Privy Seal said that further Ministerial meetings had been held in Brussels on the conditions for the United Kingdom's entry into the European Economic Community (E.E.C.) and the European Atomic Energy Community (EURATOM). On the E.E.C. negotiations there had been a period of intensive work and hard bargaining. Some progress had been made, but it was not now to be expected that the negotiations could be brought to a conclusion before Parliament rose for the summer recess. The main source of difficulty was still the attitude of the French Government; they had refrained from entering into substantive discussion of their objections at meetings at which the United Kingdom had been represented but had been active in pressing them on other member countries at meetings of the Six. A high proportion of the obstacles which we were still meeting could be attributed to French initiatives.

The French had placed a total reservation on the proposals for dealing with textile imports from India, Pakistan and Ceylon, which had at an earlier stage given promise of agreement apart from one or two points on which Mr. Desai, the Indian Finance Minister, would have had an opportunity for comment and representation. In the light of the French attitude, which was due to pressure from the French textile lobby and indirectly to the current activities of the British textile lobby on the Continent, it had been necessary to defer discussion to a later meeting. There had been no progress on domestic agriculture, again because of the attitude of the French. This was now due to be discussed at a three-day meeting from 18th to 20th July. No progress had been made with the major commodities for which we were seeking to negotiate nil tariffs, although one or two of the smaller items had been agreed.

Encouraging progress had, however, been made on temperate foodstuffs from the developed countries of the Commonwealth. It had now been agreed that the transitional period should continue up to 1970, and it was accepted that, if by 1970 no world-wide agreements for a particular commodity had been negotiated, it would be necessary to devise continuing arrangements for the Commonwealth countries, to be negotiated in each case with the countries concerned. We had not committed ourselves to accept French ideas on the nature of world-wide commodity agreements. The existing members of E.E.C. had also said that they would be prepared so to operate their price and production schedules as to give reasonable access to Commonwealth foodstuffs. They had been asked for details of the machinery proposed to achieve this.

On the association of the dependent or under-developed countries of the Commonwealth it had been accepted that there should be no discrimination between existing associated territories and those to be associated in future. It had also been agreed that existing associates should have no right of veto on the admission of new associates. After argument it had been agreed that detailed discussion on the particular Commonwealth territories concerned should be
handled on an informal basis and directly between Ministers. The two main difficulties were likely to be with Ghana and with the Federation of Rhodesia and Nyasaland. President de Gaulle was concerned at the possible disruptive influence of Ghana on the French African territories, but his anxiety did not seem to be shared by the other European countries or by the French territories themselves. The anxieties of the present associated territories were related rather to the Federation, for political and racial reasons. No decisions had yet been reached.

On EURATOM reasonable progress had been made. The discussion at the recent meeting had centred on the arrangements, financial and otherwise, which would be needed when the United Kingdom became a part-owner of the existing EURATOM installations.

In discussion the following points were made:

(a) There had been a noticeable swing in public opinion in this country against United Kingdom membership of the Common Market. There had always been a body of opinion, particularly among farmers, which held that the advantages of membership must be doubtful until the conditions of entry were known; but more recently this had been replaced by a feeling, no doubt inspired by propaganda in the anti-Common Market newspapers and magazines, that it would be wrong in principle for the United Kingdom to join the Common Market on any conditions. Up to now anxiety had centred on the effect on Commonwealth trade. But in the long run anxieties about the effect on our domestic agriculture might be even more important. It was among the farmers that the propaganda against the Common Market seemed to be having most effect. It was significant that for the first time since the negotiations had started the President of the National Farmers Union was about to make a statement, which would be widely circulated, condemning in general terms the idea of British membership and paying no more than lip service to the fact that the issue would remain open until the precise conditions of our entry were known.

(b) Some apprehensions were also beginning to be expressed on religious grounds. It was being represented by some non-Conformist groups that the Common Market would involve a close association between a Protestant United Kingdom and a largely Catholic Europe. It would not be easy to deal with such allegations in public without risk of inflaming controversy in quarters where sectarian feeling was still strong.

(c) It would be necessary for the Government to undertake as soon as practicable a campaign to present membership of the Common Market in a fairer light. This emphasised the importance of bringing the current negotiations to a conclusion as soon as possible.

(d) It might be of advantage if an early statement could be made about the legal consequences of our joining the Common Market. These had now been studied in detail and presented less difficulty than had been thought. An authoritative statement at an early stage might restore a sense of proportion on this aspect of the problem.

The Cabinet—

(1) Took note of this statement by the Lord Privy Seal and of the points made in their discussion.

(2) Invited the Lord Chancellor to consider further with the Ministers concerned the desirability of making an early statement on the legal implications of United Kingdom membership of the Common Market.
6. The Cabinet had before them a memorandum by the Colonial Secretary (C. (62) 101) outlining a programme for the settlement of Africans on land to be purchased from Europeans in Kenya.

The Colonial Secretary said that he had discussed this scheme with the Chief Secretary, Treasury. He proposed that over the next five years funds should be made available for the settlement of about 70,000 African families on 1 million acres of mixed farming land now owned by Europeans, and that the Government should indicate their willingness to participate in an extension of the scheme at the end of this period, subject to the fulfilment of certain conditions. The rate of settlement and the expenditure involved would be spread evenly over the five-year period. He hoped that arrangements could be made for existing schemes to continue and to be co-ordinated with the new scheme. The cost of buying and settling 1 million acres was estimated at about £16·55 million, of which £7·55 million would be grant and £9 million loan, but the total amount of additional money required would be about £12·65 million, since funds for some existing schemes would be absorbed into this larger plan.

The administrative resources of the Kenya authorities would be fully stretched by a scheme on the lines proposed and he did not think that anything on a larger scale would be practicable. The scheme would not resettle all the landless unemployed Africans and it would not affect more than about half of the mixed farming area owned by Europeans. It should, moreover, be recognised that the substitution of African for European farmers would involve some decline in the general standard of farming, with corresponding loss to the Kenya economy. But, if there were no scheme of this kind, large numbers of European farmers would abandon their farms and the local tribes would fight for possession of them. The scheme would also have the advantage of offering a means of dealing with the claims of some European farmers who might otherwise make a strong case for direct compensation from the United Kingdom Government. He sought authority to discuss the outline of the scheme with Kenya Ministers and to make an announcement about it during his forthcoming visit. Further discussions would then be held both with the Kenya Government and with the Treasury about the detailed arrangements for putting the scheme into effect.

In discussion there was general agreement that it would be right to proceed with a scheme of this kind. It was not possible to estimate at this stage how many of the 3,000 European farmers at present in Kenya would wish to stay, but it was believed that a fair proportion would be encouraged to do so by the knowledge that this scheme would guarantee a reasonable market in land for at least five years. The scheme offered the best hope of avoiding in Kenya a situation comparable with that which had arisen in Algeria through the dissatisfaction of European settlers. Care should, however, be taken to ensure that the proposed announcement carried the concurrence of the Kenya Government and that it was presented, not as a scheme for rescuing European farmers, but as one to secure the orderly settlement of Africans. The Kenya Government should be left in no doubt that this commitment would be a first charge on the financial assistance to be provided by the United Kingdom Government for development purposes.

The Cabinet—

Approved the proposals outlined in C. (62) 101 for a scheme of land settlement in Kenya.
The Cabinet had before them a note by the Prime Minister about the forthcoming negotiations with Tunku Abdul Rahman, the Malayan Prime Minister, on the Federation of Malaysia. Annexed to this was a memorandum analysing the Cobbold Report on the views of the peoples of the Borneo territories on the proposed Federation.

The Prime Minister said that the early creation of a Federation of Malaysia would avoid the difficulties which would arise if Singapore were left to seek independence on its own. There seemed to be no other course which offered a reasonable prospect of maintaining stability in the area. It was clear from the Cobbold Report that the difficulties centred almost exclusively on the arrangements to cover the transitional period before the Borneo territories could assume responsibility for their own administration. It had seemed to Lord Cobbold that it would be necessary to maintain British staff in the territories during this transitional period, possibly under British Governors.

The Prime Minister said that since his memorandum was circulated he had received a personal message from the Tunku expressing his unwillingness to negotiate on the basis of the Cobbold Report if the views of the British members of the Commission were to form the basis for the discussion. He seemed to be under the impression that the United Kingdom Government had inspired, or at least accepted, these views. The Prime Minister said that, in replying to the Tunku, he had pointed out that he was not in any way committed to those views and was prepared to discuss without prejudice or commitment any proposals which the Tunku might wish to put forward, and had urged upon him again the importance of coming to London at an early date.

It was important that, if a Federation was established, the United Kingdom Government should not retain responsibility for the administration of the Borneo territories. We should then be answerable for events in those territories without having effective control over them. Both the Malayan and the British members of the Cobbold Commission had agreed that it would be necessary to retain British staff. But some means must be found of doing this without retaining constitutional responsibility for the territories. This problem would need further thought. The immediate question on which he now sought the views of the Cabinet was whether negotiations with the Tunku should be pursued with the aim of bringing a Federation of Malaysia into being at the earliest practicable date and agreeing on acceptable solutions of the transitional problems which would protect the interests of the peoples of the Borneo territories.

In discussion it was pointed out that it would be difficult to overlook the specific commitments into which we had entered to safeguard the interests of the population of the Borneo territories, particularly Sarawak. It was hoped that any arrangements eventually agreed for the transitional period could be presented as being consistent with those undertakings.

The Cabinet—

(1) Endorsed the Prime Minister’s proposal that negotiations should be urgently pursued with the Prime Minister of Malaya with the aim of bringing the Federation of Malaysia into being at the earliest practicable date and agreeing on acceptable solutions of the transitional problems which would protect the interests of the peoples of the Borneo territories.

(2) Took note that the Prime Minister would press the Prime Minister of Malaya to come to London in the current month, as planned, to pursue these negotiations.

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8. The Chancellor of the Exchequer said that the record of the Cabinet’s discussion of 28th June on the economic situation gave a misleading impression of his view of the economic prospects. While it was true that he had not thought it necessary that further measures should be taken at that date to stimulate expansion, he did not exclude the possibility that such measures might become necessary. Moreover, while it was true that exports were increasing, he was not satisfied with their rate of growth.

The Lord Chancellor said that he presumed that, even so, Ministers might continue to take credit for the increase in the volume of exports.

The Chancellor of the Exchequer said that he had noted with satisfaction that the wage increase awarded in the engineering industry had not exceeded 3 per cent.

The Cabinet—
Took note of these statements.

9. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (62) 104) describing the results of a reappraisal of the future of the coal industry, and a note by the President of the Board of Trade (C. (62) 105) covering a draft statement on the action proposed to deal with redundancy in the coal industry in Scotland.

The Chancellor of the Exchequer said that on the basis of a report by a group of officials and representatives of the National Coal Board, the Minister of Power had put before the Economic Policy Committee a series of proposals for the future of the coal industry. The Board, who had been more optimistic than the Departments about the level of future demand, believed that on the policies at present followed by the Board and the Government there would be a demand for about 190 million tons of coal a year for many years ahead. In adjusting the size of the industry to this demand, the main problems would relate to financial policy and the closure of uneconomic pits. The financial target suggested by the Board’s consultants and accepted by the Board in the light of the policy set out in the White Paper (Cmnd. 1337) was that the Board should, over the five years 1963-67, aim to break even and to provide £10 million a year in respect of the difference between historic and replacement costs of assets. The Economic Policy Committee considered that the Government should accept this as an appropriate target. On closure of pits, the Board’s present policy was to close losing collieries as rapidly as possible. This policy was economically sound, though it would give rise to some social and political difficulties. In 1961 the Board had been maintaining 162 collieries which were “gross losers” in the sense that their operating costs, taking no account of overheads, exceeded the income from coal produced by them. The other proposals made by the group, and supported by the Economic Policy Committee, were that the Board should not be pressed at this stage to embark upon capital reconstruction; that for the present at least imports of American coal by private importers should not be allowed; and that in due course legislation should be introduced to enable the Board to borrow temporarily to meet their deficits, more than the amount provided for in section 27 of the Coal Industry Nationalisation Act, 1946.

The Cabinet first considered what action they should take in connexion with pit closures in Scotland, about which the Board would be in discussion with the miners’ unions during the following week. It would become evident on 11th July that by 1966 there would be a reduction of 24,000 in the number of jobs in Scottish
mines; this would be offset by normal wastage of about 20,000 and there would be a net displacement from coal-mining of 4,000 men. There was general agreement that a statement should be made in Parliament on 11th July. This should, however, be shorter than the draft circulated under cover of C. (62) 105 and should lay greater stress on the extent to which miners displaced by past closures had found other employment, on the value of being able to plan ahead for the next phase in the adjustment of the coal industry to current economic conditions, and on the importance of manning the expanding industries which would be in need of labour. The general emphasis should be on dynamic action, and a more confident note should be struck, though it should be kept in mind in preparing a revised draft that there would be a difficult stage of readjustment and that there would be areas in which the rate of unemployment brought about by pit closures would be high. The statement should be made by the Secretary of State for Scotland. On balance, it would be preferable that he should not seek to deal on the same occasion with the social problems raised by the closure of branch railway lines in Scotland.

The Cabinet—

(i) Invited the Chief Secretary, Treasury, in consultation with the Secretary of State for Scotland, the President of the Board of Trade and the Minister of Power, to prepare in the light of the Cabinet's discussion a revised draft of the statement attached to C. (62) 105; and to submit the revised draft to the Prime Minister for his consideration.

In further discussion on the longer term implications of the proposals described by the Chancellor of the Exchequer the following points were raised:

(a) The proposed financial target could be regarded as attainable. It was related to an output target of 190 million tons a year and it might at some stage be necessary to say this; but in any general statement of the Government's attitude towards the principles adopted by the Board it would be inexpedient to appear to approve a specific figure either for demand or for output.

(b) The Board's policy on pit closures could be supported, but not without qualification. It was reasonable that, as had been suggested by the group, the Board should not be held responsible for considerations going beyond the mining industry, but a general statement to this effect might have unfortunate implications, both in the coal industry and in other industries. The Board's record suggested that there would be no disposition on their part to ignore the social consequences of their actions, and it would be to their advantage to show consideration for the future of mining communities. In indicating the Government's general approval of the Board's policy, the Minister of Power should inform the Board of the Government's assumption that the Board would, so far as possible, time their closures to minimise the social difficulties which would result from them; and the Board's attention might be drawn to the discussion in Appendix II of the report submitted by the group about the parts of the country in which those difficulties would be most acute.

(c) There appeared to be no need at present to press for further consideration of capital reconstruction in the industry.

(d) The policy of not allowing imports of American coal by private importers should be maintained for the present. Protests from the United States Government about the inconsistency between this policy and the General Agreement on Tariffs and Trade could

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C.C. 44 (62)
be met by an assurance that the policy would be re-examined in a year's time.

(e) There should be no great difficulty in finding a place in the 1962–63 legislative programme for a Bill to amend section 27 of the Coal Industry Nationalisation Act, 1946.

(f) As Parliament had been promised information about the financial target to be adopted for the coal industry, an indication of Government policy should be given before the summer recess. A suitable occasion would present itself if there were a general debate, in Opposition time, on the nationalised industries.

The Cabinet—

(2) Invited the Minister of Power to arrange for Parliament to be informed of the financial target agreed upon for the coal industry and of the Government's attitude to the policy of the National Coal Board on pit closures.

Cabinet Office, S.W. 1,
5th July, 1962.