CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on
Thursday, 20th September, 1962, at 10 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. R. A. BUTLER M.P., First Secretary of State
The Right Hon. VISCOUNT HAILSHAM, Q.C., Lord President of the Council
and Minister for Science
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home
Department
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Defence
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal (Items 1-2)
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fish­
eries and Food
The Right Hon. JOHN BOYD-CARPENTER, M.P., Chief Secretary to the Treasury
and Paymaster General
The Right Hon. J. ENOCH POWELL, M.P., Minister of Health
The Right Hon. Sir KEITH JOSEPH, M.P., Minister of Housing and Local
Government and Minister for Welsh Affair

The following were also present:
The Right Hon. J. AMERY, M.P., Minister of Aviation (Item 3)

Secretariat:
The Right Hon. Sir NORMAN BROOK
Mr. A. L. M. CARY
Mr. J. H. WADDELL
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1. The Foreign Secretary said that the Soviet authorities in Berlin had, without protest, complied with the request that the guard for the Soviet War Memorial should not travel through the western sector in an armoured vehicle. A bus had been used for the purpose of relieving this guard on 15th September. It now seemed unlikely that discussions on Berlin between representatives of the United States and Soviet Governments would be resumed until late in the autumn.

The Foreign Secretary said that the Central Government of the Congo had sent representatives to Elizabethville to discuss certain aspects of the United Nations plan for a settlement between the Central Government and the Government of Katanga. They had, however, shown reluctance to discuss the constitutional proposals in Elizabethville, lest this should seem to concede a special importance to Katanga. It had been suggested to them that this difficulty could be avoided if they arranged for their representatives to go to all the provinces in turn to discuss this aspect of the proposals. Meanwhile, fighting seemed to have started in the northern part of Katanga. It was possible that the Central Government might be attempting to seize control of this part of the province, which was remote and sparsely populated.

The Foreign Secretary said that the problems of disarmament and nuclear tests were likely to figure prominently in the debates in the General Assembly of the United Nations. On tests there was some prospect that the latest proposals of the Western Powers might command support; and the Soviet Government, if they continued to reject them, might find themselves in some embarrassment.

The Prime Minister said that no useful progress was likely to be made with this question until the current series of nuclear tests had been completed. Later in the autumn, however, there might be an opportunity for a fresh initiative towards an international agreement for the cessation of tests.

2. The Prime Minister outlined to the Cabinet the course and the results of the Meeting of Commonwealth Prime Ministers which had ended on the previous day. In the event the timing of the Meeting had proved to have been fortunate; for, although it had been hoped that the negotiations with the Six would have been further advanced, the general pattern had been clear enough to give Commonwealth countries the opportunity for full and informed discussion. Had the negotiations been further advanced at the time of the Meeting it might have been said that we were trying to present them with a fait accompli.

A particular disappointment had been the attitude of the African countries towards association. This would offer them great economic advantages, but these had not prevailed against their political dislike of anything which could be interpreted as a continuation of an inferior relationship with former Colonial Powers. The Africans had also pointed to the different arrangements envisaged for the Asian countries as confirmation of their view that association was an inferior status. In fact, although the Asians were offered very reasonable treatment particularly in the nil tariff for tea, the arrangements proposed for them were less beneficial than those provided by association. The main concern of the Asian countries had been to delay the application of the external tariff to their imports until after the conclusion of the trade agreements.

The most difficult problems had, however, been those of the older Commonwealth countries. Canada was not really concerned...
about her wheat exports, but had made the most of her other
anxieties. The Australians had fought strenuously for their interests
and would continue to try to drive a hard bargain. New Zealand
had taken a reasonably helpful line by emphasising the extent to
which their final attitude would depend on arrangements still to
be made.

The Meeting had started badly, but had ended as well as could
have been expected. In spite of all the earlier consultation,
Commonwealth Ministers had not clearly understood the under-lying
considerations in favour of our entry into the Community. He
hoped that the discussions at this Meeting had helped to clear their
minds on this and to put our position in a better perspective. The
group discussions had also served a useful educative purpose.

The Lord Privy Seal said that the general tone of the discussion
had been influenced by the statement issued at the end of the
conference in London of representatives of Opposition parties in
Commonwealth and Community countries. The attitude of the
African countries towards association might have been different if
the Indian delegation had been more helpful. We should now be
obliged to explore the possibility of getting some of the advantages
of association through trade agreements. This would be difficult
and would in any case take time. There would also be a possible
conflict with the General Agreement on Tariffs and Trade, which
required trade agreements to be balanced as between the various
parties. For the essence of association was that it was not balanced.
There might be psychological advantage in finding some other title
for the status of association. Delay in the application of the external
tariff to the Asian countries would raise for the Six a point of
principle; and they would also fear that the Indians might spin out
the negotiations for a trade agreement so as to continue to enjoy
the advantages of free entry. A possible compromise might be to
delay the imposition of a tariff for a stated period, say six to nine
months, within which a trade agreement would have to be concluded.

Of the old Commonwealth countries, the Canadian representa-
tives still refused to give any idea of the priorities which they would
attach to solutions of their difficulties. In the discussions on
temperate foodstuffs the Australians had taken an intransigent line;
they had demanded, not only access, but a guaranteed price
remunerative to Australian producers. This was something which
we could not have accepted even if our entry into the Community
had not been in question, since it would have involved an
undertaking to cover in advance and at our expense the effects of
Australian inflation. New Zealand and Canada did not attach so
much importance to the question of price because they were efficient
producers. More should be done to explain these issues in public.
New Zealand had now modified her original demand for the
guaranteed export of certain fixed quantities of her produce and
was prepared to accept a guaranteed share of the market instead.
He intended to review the New Zealand position on his next visit
to Brussels when New Zealand representatives would be present.
Full Ministerial discussions would be resumed in Brussels on 8th and
9th October.

In discussion the following points were made:

(a) Although the course of the recent Meeting might seem to
suggest that the other countries of the Commonwealth were actuated
solely by considerations of self-interest, it should be remembered
that Commonwealth discussions with a commercial content had
always been difficult. This Meeting had been less contentious than
that which had led to the conclusion of the Ottawa Agreements.

(b) Public opinion in this country was still insufficiently
informed of the case for our entry into the Community. It would
not be easy to engage in publicity while the negotiations were still
incomplete, partly because of the danger of weakening our
Supply of Arms

(Previous Reference: C.C. (59) 60th Conclusions, Minute 4)

[Excerpts from the text]

negotiating position in Brussels and partly because sectional interests in this country, particularly the farmers, would expect specific assurances on particular points and would not be influenced by the broader arguments. Nevertheless, it would be right to extend the scope of the limited publicity which had hitherto been given to the Government's case. The general arguments in favour of entry into the Community could now be deployed more forcibly, with the proviso that we should not join it if in the last resort it proved that the conditions were unacceptable. Suitable use could be made of the Prime Minister's opening and closing speeches to the Commonwealth Meeting and of the speech which he would be making on television that evening.

(c) No firm date could be set to the conclusion of the negotiations in Brussels, but the outlines of a final settlement would progressively become clearer and more attention could be given to the anxieties of British farmers. In the last resort the reaction of our own farming community might be decisive.

The Cabinet—

(1) Invited the First Secretary of State to arrange for the senior Ministers concerned to discuss with the Lord Privy Seal, on the latter's return from Europe in the following week, the future handling of the negotiations for the United Kingdom's entry into the European Economic Community.

(2) Invited the Chancellor of the Duchy of Lancaster, in consultation with the Minister without Portfolio, to consider what use might be made of the Prime Minister's recent speeches to give more publicity to the arguments in favour of joining the Community.

3. The Foreign Secretary said that the Governments of the United Kingdom, the United States and France had had a long-standing agreement to refrain from sales of military equipment which would disturb the balance of military strength in the Middle East, particularly between the Arab States and Israel. The United States Government had renewed the agreement in July of this year. In August, however, they had informed the Government of Israel that they would be prepared to supply surface-to-air missiles as part of a political bargain by which the Israeli Government would for their part undertake certain obligations, particularly on the refugee question. If the United States offer were eventually confirmed it was likely that the Israeli Government would, also for political reasons, wish to accept it and would not consider alternative sources of supply. Knowledge of the United States offer would produce a hostile reaction from the Arab States in the Middle East; and if this reaction were to extend to the United Kingdom the results would be more serious for us than for the United States. A number of Arab States depended heavily on the United States for economic aid which they would be unlikely to jeopardise. The United Kingdom on the other hand depended on staging rights in Libya and overflying rights elsewhere, whose loss would be a serious embarrassment. We were, however, potential suppliers of missiles of the type in question and the Israeli Government were already aware of this. If we were to refuse to consider supplying them with missiles, we should lose the chance of exports of great importance to the British aircraft industry without any guarantee that we should escape odium or even reprisals when the United States offer became known. On balance, however, he had decided that it would be better to refrain from any approach to the Israeli Government at this stage and to await developments.
The Minister of Aviation said that, while he agreed in general with the Foreign Secretary’s assessment of the position, there were two recent developments which he thought it right to emphasise. First, the Israeli Government had now asked us, through our Ambassador in Tel Aviv, whether we would be prepared to supply missiles. Secondly, the fact that unofficial Israeli representatives had been told in Washington that we were possible suppliers seemed to him to make it not merely probable, but inevitable, that we should be a target for Arab hostility when the United States offer became known. In all the circumstances, he suggested that we might inform the Israeli Government privately that we might be interested in supplying missiles to them, and to make the same intimation to friendly Arab States.

In discussion there was general agreement that no action should be taken until the United States offer, which was still thought to be tentative, had become public. At that stage we could make it known that we held ourselves free to supply any Middle East country with missiles of this type. Before this stage was reached it would be advisable to review in detail the present state of missile equipment in the Middle East countries concerned, the scope for increasing the level and effectiveness of that equipment, and the political and economic implications of so doing.

The Cabinet—

(1) Invited the Foreign Secretary, in consultation with the Minister of Defence and the Minister of Aviation, to arrange for a review of the present state of missile equipment of the countries of the Middle East, of the scope for increasing it and of the political and economic implications of so doing.

(2) Invited the Foreign Secretary, in consultation with the Minister of Defence and the Minister of Aviation, to consider in the light of this review the terms in which the United Kingdom Government might announce their readiness to supply missiles to Middle Eastern countries, once the terms of the United States offer to supply missiles to Israel had become known.

4. The Cabinet had before them memoranda by the Minister of Agriculture and the Secretary of State for Scotland and by the Chief Secretary, Treasury (C. (62) 141 and 142) on the Farm Improvement Scheme.

The Minister of Agriculture said that the £50 million which had been authorised by the Agriculture Act, 1957, for grant aid to farmers under this scheme would shortly be exhausted. When the future of the scheme had been reviewed by Ministers in April it had been thought that under the rules of competition applying within the European Economic Community it would be permissible to continue various forms of direct subsidy to farming. It had been agreed that the rate of grant under this scheme should be reduced from 33½ per cent to 25 per cent; and it had been intended that provision on this basis should be included in the Agriculture (Miscellaneous Provisions) Bill which would be introduced early in the following session of Parliament. He now believed that, if we joined the Community, the permissible forms of direct subsidy would be much more limited than had been supposed and he suggested that it would be imprudent, in view of the importance of direct grants in the farming economy, to reduce the rate of grant on one of the few schemes which probably could be continued. If the rate remained at 33½ per cent and the scheme continued to operate for the whole
of the 10 years originally intended, it would be appropriate to provide a further £50 million. On the basis of 25 per cent the amount required would be £35 million, so that the saving from altering the rate would be no more than £15 million, or £3 million per annum.

The Chief Secretary, Treasury, said he understood that there was considerable risk that the Farm Improvement Scheme would be held to contravene the rules of competition in the Common Market. Even if it were not so held, there did not appear to be sufficient justification for adding to the large investment already made in agricultural improvements. The best course might be to allow the scheme to come to an end early in 1963 and meanwhile to carry out a full review of the system of agricultural support, which would in any event have to be reviewed as soon as the effect of the policies of the European Economic Community could be seen more clearly. He would, however, be content that the scheme should continue on the reduced rate of grant agreed upon in April.

In discussion there was general agreement that public controversy about the future of the scheme should be avoided. There would be little to be gained by exercising the power given by the Act of 1957 to make an Order increasing by £5 million the amount at present available; this would be taken as an indication that the scheme was running out and would produce a flood of applications. Nor would there be advantage in continuing the scheme on the basis of provisions which either left the rate of grant to be settled by Order or specified a rate which might be varied by Order. Farmers needed to plan their expenditure over a period and would claim, with good reason, that the rate of grant should be announced at the outset. As the rate prescribed in the Act had been 33\frac{1}{3} per cent, an alteration could not be made without attracting attention and the right course, on a balance of all the considerations, would be to provide for continuance of the scheme at the same rate.

It was, however, possible that there would in future be rather less demand for farm improvements than there had been in recent years and that for this or other reasons it might not be necessary to provide in the Bill for expenditure to continue at as high a level as in previous years. These points should be further considered and, if possible, the aggregate amount to be provided for by the Bill and the Act of 1957 should not exceed £80 million.

The Cabinet—

(1) Agreed that the rate of grant paid under the Farm Improvement Scheme should remain at 33\frac{1}{3} per cent.

(2) Invited the Minister of Agriculture to consider with the Chief Secretary, Treasury, what additional amount of grant should be authorised in the proposed Agriculture (Miscellaneous Provisions) Bill to enable the scheme to continue for a reasonable period.

Cabinet Office, S.W.1,
20th September, 1962.