CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 30th April, 1964, at 10.30 a.m.

Present:

The Right Hon. Sir Alec Douglas-Home, M.P., Prime Minister
The Right Hon. Lord Dilhorne, Lord Chancellor
The Right Hon. Henry Brooke, M.P., Secretary of State for the Home Department
The Right Hon. Edward Heath, M.P., Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade
The Right Hon. Selwyn Lloyd, Q.C., M.P., Lord Privy Seal
The Right Hon. John Boyd-Carpenter, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. Joseph Godber, M.P., Minister of Labour
The Right Hon. Anthony Barber, M.P., Minister of Health
The Right Hon. Geoffrey Rippon, M.P., Minister of Public Building and Works
The Right Hon. Lord Carrington, Minister without Portfolio

The following were also present:

The Right Hon. Richard Wood, M.P., Minister of Pensions and National Insurance (Item 4)
The Right Hon. Martin Redmayne, M.P., Parliamentary Secretary, Treasury

Secretariat:

Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

2. The Cabinet discussed the attitude to be adopted by Government spokesmen on the subject of land values during the forthcoming Parliamentary debate on the South-East Study.

   The Minister of Housing and Local Government said that, apart from fiscal measures, there was no simple or obvious remedy for the increase in the price of land which would inevitably result from the development of land adjacent to urban areas. The Government should therefore take their stand on the operation of a free market in land values.

   In discussion it was suggested that the marked rise in land values might be moderated to some extent if it were possible to release land for development more freely, particularly in the immediate neighbourhood of expanding towns. On the other hand it would be inadvisable to contemplate unrestricted urban expansion, particularly if this involved piece-meal encroachment on the Green Belt; and it would be more profitable for the Government to direct criticism to the impracticable measures proposed by the Opposition for the control of land values than to purport to regulate the increase in the price of land by any measures other than the normal processes of supply and demand.

   The Prime Minister, summing up the discussion, said that Government spokesmen during the forthcoming debate should maintain in principle the attitude which the Government had already adopted on this subject in the recent White Paper on the South-East Study. Nevertheless, it might be desirable to give further consideration to the possibility of taking administrative steps, including some simplification and acceleration of planning permission procedures, to justify to public opinion the Government's policy on land values in relation to development in urban areas.

   The Cabinet—

   Invited the Chancellor of the Exchequer, in consultation with other Ministers concerned, to give further consideration to the Government's policy on land values in relation to urban development on the lines indicated by the Prime Minister in his summing up of their discussion.

3. The Minister without Portfolio (Lord Carrington) informed the Cabinet that an increasingly unsatisfactory situation was developing in Cyprus, since the United Nations peace-keeping force appeared to consider that their function was limited to creating the circumstances in which a solution of the Island's problems could be promoted by diplomatic means and were reluctant to take any military action to restrain the renewed attempts of the Greek Cypriot community to suppress the Turkish community by force. Our efforts to persuade the the Secretary-General of the United Nations to instruct the force to adopt a more resolute attitude had had little success.

   In discussion the following main points were made:

   (a) If it became apparent that the peace-keeping force would be unable or unwilling to discharge the function for which we had understood that it had been created, it would be for consideration whether we should inform the United Nations that we might no longer be able to contribute to it when the question of its prolongation arose.
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in June. It might be inadvisable that we should be seen to be taking any action which would appear to prejudice the future of the force. Nevertheless, an indication that we might feel obliged to withdraw our contingent, in whole or in part, might suffice to induce the Secretary-General of the United Nations to instruct the force to take more positive action to restrain inter-communal violence in the Island.

(b) If it became desirable to withdraw some of our troops, it would be necessary to ensure that such elements as continued to serve in Cyprus would constitute a realistic military unit and would remain in charge of a United Kingdom headquarters.

(c) In their forthcoming discussion with the United Nations mediator, M. Tuomioja, United Kingdom Ministers should maintain a non-committal attitude and should refrain, at this stage, from indicating a preference for any of the various political solutions of the Island’s problems which were currently being canvassed.

The Cabinet—

(1) Took note of the points made in their discussion.

Egypt

The Minister of Power informed the Cabinet that on 26th March the Egyptian authorities had nationalised the assets of the Shell and British Petroleum companies in Egypt. The companies were reluctant to protest publicly for fear of jeopardising the compensation which they hoped to obtain. Nevertheless, the Egyptian action, which had not extended to United States oil interests in Egypt, had constituted a deliberate act of discrimination against the United Kingdom; and, if it were allowed to pass unchallenged, it might constitute a dangerous precedent in relation to our oil interests in other countries. It was for consideration, therefore, whether we should address appropriate representations to the Egyptian Government.

The Cabinet—

(2) Agreed to give further consideration at an early meeting to the implications of the nationalisation of United Kingdom oil interests in Egypt.

Malta

(Previous Reference: C.M. (64) 19th Conclusions, Minute 4)

The Colonial Secretary informed the Cabinet that the referendum on the future Constitution of Malta was due to be held during the forthcoming week-end. If its results were inconclusive, this would provide us with a welcome excuse for deferring a decision on the independence of the Island. Alternatively, however, the referendum might result in a vote in favour of the Constitution proposed by the Government of Malta; and this would confront us with a difficult situation, since that Constitution was in certain respects unacceptable to us.

The Cabinet—

(3) Took note of this statement by the Colonial Secretary.

Southern Rhodesia

(Previous Reference: C.M. (64) 21st Conclusions, Minute 2)

The Prime Minister informed the Cabinet that the Prime Minister of Southern Rhodesia continued to maintain that he had a right to receive an invitation to attend the forthcoming Meeting of Commonwealth Prime Ministers. Precedent made is sufficiently clear that the only individuals who were entitled as of right to be present at these Meetings were the Prime Ministers of the independent members of the Commonwealth and that we should therefore have regard to their views in deciding whether the Prime Minister of Southern Rhodesia should be invited to attend the forthcoming Meeting. He would make a statement to this effect in the House of Commons that afternoon; and the Prime Minister of Southern Rhodesia would be informed accordingly.

The Cabinet—

(4) Took note, with approval, of this statement by the Prime Minister.

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4. The Cabinet had before them a memorandum by the Minister of Labour (C.P. (64) 91) on wage-related benefits and other measures to deal with redundancy.

The Minister of Labour recalled that the Cabinet had invited him, on 21st April, to submit a further memorandum on wage-related benefits in the context of the other measures which had been taken to reduce the impact of redundancy on individual workmen. The policy of economic growth demanded the elimination of the wasteful use of labour, which was by no means confined to those industries in which it had become notorious. This could not be achieved, however, without effective measures to minimise the hardship resulting from redundancy, the fear of which lay behind restrictive practices and resistance to change. A number of steps had already been taken to increase the mobility of labour. The capacity of Government Training Centres had been expanded, particularly in Scotland, Wales and the North of England; and the allowances payable to workers attending them had been increased. The Industrial Training Boards would shortly begin the work of re-training adults already in employment. Improvements had been made in lodging allowances and other forms of financial assistance available to workmen with dependants who transferred to work away from home or moved their families to new areas. These measures, however, would be incomplete without provision to reduce hardship resulting from sudden loss of income. For this purpose it was essential to introduce wage-related unemployment benefit, together with a complementary scheme for severance payments to workers who had been in a particular employment for a long time and consequently suffered the loss of advantages such as sick pay and pension rights when they became redundant. A scheme for wage-related unemployment benefit should exclude those whose unemployment did not entail significant loss of income; and payment should be limited to a maximum of three months. Of the 3½ million annual claims for unemployment benefit nearly 2 million would not qualify under such a limited scheme, including those of about half a million women whose average earnings were not above £9 a week. The cost of a scheme on these lines—some £19 million a year—would be an insignificant proportion of the total wages bill and would be likely to be acceptable to the employers in the light of the more economic deployment of labour which the scheme would promote.

In discussion there was some support for the view that the introduction of wage-related unemployment benefit would encourage employers to face the problems involved in securing the more efficient use of labour. In particular, it would be difficult to resist a demand for such a scheme from the employers themselves; and the economic importance of increasing the efficiency of industry could be urged as a justification for dealing with this aspect of national insurance in isolation. On the other hand, since the economic advantages to be expected from the introduction of wage-related unemployment benefit were debatable, it would be difficult to maintain, against pressure from those interests which were more concerned with the social aspects of national insurance, a distinction between the unemployed and other recipients of short-term benefits who suffered hardship as a result of a sudden fall in income; and in the debates on the legislation which would be necessary to introduce wage-related benefit it might be impossible to avoid, and would be embarrassing to resist, amendments designed to extend wage-related benefits to widows and the recipients of sickness benefit. Moreover, a concession to the more highly paid would intensify pressure for a general increase in benefits, which the trade unions were known to prefer to wage-related benefit; but a general increase could not be introduced before 1966 without exceeding the
expenditure on national insurance which had been forecast in the White Paper on Public Expenditure, 1967–68.

Since it was clear, however, that legislation, even for the limited purpose of introducing wage-related unemployment benefit, could not be introduced in the current session in view of the amount of preparatory work which remained to be done, it might be desirable to consider publishing a White Paper indicating in some detail the nature of the Government’s proposals on wage-related benefit and their implications in terms of contributions. It would be necessary to consider whether the White Paper should deal also with the proposal to pay preferential benefits to the very old and with the timing of the next general increase in benefits; but decisions on these points could conveniently be taken on the basis of a draft White Paper, which at the outset, should deal with the proposals comprehensively.

The case for severance payments, in which neither the employers nor the trade unions seemed to be greatly interested, was less strong than that for wage-related benefits; and, although discussion of the practical problems involved might usefully continue, the Government need not press the employers to accept a scheme of this kind.

The Prime Minister, summing up the discussion, said that, while the Cabinet were not yet ready to reach decisions on the problems which had been raised in connection with national insurance, including those which had been remitted in their earlier discussion to the Committee on Pensions and National Insurance, there might well be advantage in publishing, later in the summer, a White Paper setting out the Government’s proposals in some detail. It would be helpful, therefore, if the Minister of Pensions and National Insurance would consider how quickly a White Paper, dealing comprehensively with short-term benefits, preferential benefits for the old and increases in flat-rate benefit, could be prepared. A first draft should be circulated at an early stage in order that the Cabinet might decide which of the various proposals before them could appropriately be dealt with in this way.

The Cabinet—
Invited the Minister of Pensions and National Insurance to circulate in due course, after initial consideration by the Committee on Pensions and National Insurance, the draft of a White Paper on the lines indicated by the Prime Minister in his summing up.

The Kennedy Round
(Previous Reference: C.M. (64) 5th Conclusions, Minute 5)

5. The Cabinet considered a memorandum by the Secretary of State for Industry (C.P. (64) 90) about the Kennedy Round of tariff negotiations.

The Secretary of State for Industry said that in 1963 Ministers of the Contracting Parties of the General Agreement on Tariffs and Trade (GATT) agreed that the Kennedy Round of tariff negotiations should open on 4th May, 1964, and instructed officials meanwhile to work out detailed rules for these negotiations. Progress, however, had been slow; and no definite proposals would be ready by 4th May. As regards both agriculture and industry there was a marked difference of approach between the European Economic Community (E.E.C.) on the one hand and the United States, ourselves and the other main participants on the other hand. Recent discussions in Washington between United Kingdom and United States representatives had revealed that the United States Government would not be ready to undertake effective negotiations until the
Presidential election had taken place and that they would therefore be unwilling to force the issue with the E.E.C. at the forthcoming conference.

Discussions had also been held in the last two days in London with M. Jean Rey, the member of the E.E.C. Commission responsible for external affairs. M. Rey had indicated that internal differences within the E.E.C. made it unlikely that the Community would respond to any attempt by the other major parties to the Kennedy Round to coerce them into agreement on specific issues. He had also made it clear that the E.E.C. would be unlikely to make concessions on tariff levels unless the United States Government showed greater willingness to remove the non-tariff obstacles to trade. The Commission therefore envisaged that negotiations on tariff disparities would continue until the end of 1964, when elections would have taken place in both the United Kingdom and the United States. The outlines of a settlement, however, might become apparent by the spring of 1965; and, if agreement were reached later in the year, the resulting tariff changes could become effective on 1st January, 1966. This was also the prospective date for the final abolition of tariffs within the E.E.C. countries themselves.

M. Rey might prove, however, to be unduly optimistic in his forecasts; and it might become necessary to bring greater pressure to bear upon the E.E.C. to accelerate the pace of the negotiations, even though this could not be done effectively until after the United States Presidential election. United Kingdom industry had shown itself willing to accept a substantial reduction in tariffs; but this willingness would not continue if the number of exceptions claimed by the E.E.C. were so large as to nullify the concept of a broad linear reduction.

In discussion the following main points were made:

(a) There was some reason to fear that illiberal forces in the E.E.C. were seeking to use the issue of disparities on industrial tariffs, together with the problems of agricultural protection, as a means of ensuring that the Kennedy Round would be abortive. If these forces were successful, it would be the more difficult thereafter for the United Kingdom to accede to the E.E.C. It might be desirable, therefore, to adopt a more forceful attitude in the negotiations opening on 4th May. On the other hand the United States Government had clearly shown themselves unwilling to force the issue on this occasion; and pressure by ourselves alone would be unlikely to be effective.

(b) Moreover, we could not afford to condemn the policies of the E.E.C. unreservedly. The general level of their tariffs was lower than that of the tariffs maintained by the United States and ourselves; and they imposed fewer non-tariff obstacles to trade than did the United States.

(c) Nor would it necessarily be in our interests to purport to ignore the E.E.C. and to confine ourselves to seeking a reduction in tariffs between the United States, ourselves and the member countries of the European Free Trade Association (EFTA), with the intention of discriminating against the Community. In 1966 we should face no tariff barriers in EFTA, and should retain our preferences in the Commonwealth, whether the Kennedy Round succeeded or not. Moreover, the United States accounted for only some 8 per cent of our trade and their imports from the United Kingdom were rising relatively slowly, whereas the member countries of the E.E.C. accounted for 20 per cent of our trade and this proportion was rising steadily. The value of a reduction in the E.E.C. tariff would therefore be greater than a similar, or even a larger, reduction in the United States tariff.

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The Prime Minister, summing up the discussion, said that there was general agreement that for the time being we must continue the patient search for solutions to the problems of agricultural protection and tariff disparities on the lines which we had followed hitherto. It would be desirable, however, that the Cabinet should give further consideration to the issues of policy involved in the light of developments during the early stages of the negotiations which would begin on 4th May.

The Cabinet—
(1) Approved the proposals in C.P. (64) 90.
(2) Agreed to resume their discussion at an early date.

6. The Secretary of State for Industry informed the Cabinet that, as a result of the recent negotiations with the Soviet Trade Delegation, we had now renewed the Anglo-Soviet Trade Agreement on a basis which should ensure a more satisfactory balance of commercial exchanges between the two countries than had been achieved hitherto. Similar discussions with Czechoslovakia and Hungary had also ended favourably; and we might now expect to enlarge our opportunities for trade with other members of the Soviet bloc.

In discussion the Cabinet were informed that the President of the United States had indicated to the Foreign Secretary in Washington that the United States Government continued to look with disfavour on United Kingdom trade with Cuba. It would be inadvisable, however, that we should appear willing to reconsider our view that political factors should not normally be allowed to influence ordinary commercial trade or that we should be prepared to participate in economic sanctions imposed on political grounds.

The Cabinet—
Took note of the statement by the Secretary of State for industry.

7. The Cabinet had before them a memorandum by the Home Secretary (C.P. (64) 89) about the operation of the immigration control under the Commonwealth Immigrants Act.

The Home Secretary said that net immigration from the predominantly coloured parts of the Commonwealth, which had been running at a rate of 100,000 to 150,000 a year before the Act came into force in the middle of 1962, had subsequently been reduced to about 44,000 a year. Immigration control was operated by means of vouchers issued by the Ministry of Labour in three categories: those with guarantees of employment in this country (A vouchers); those with special skills (B vouchers); and those seeking work (C vouchers). Applications for C vouchers were dealt with in turn; and, in view of the pressure from India and Pakistan, the number issued to any one country was now limited to 25 per cent of those available, since otherwise admissions from other countries would have been practically eliminated. Under the Act the wives of those admitted under vouchers, together with any children under 16, were also admitted. The present rate of issue of all vouchers was equivalent to an annual rate of immigration of 20,000 a year; and dependants were currently entering the country in approximately the same numbers. The coloured population of the United Kingdom now amounted to about 500,000. So long as full employment was maintained this situation created no economic problem of any significance; but its social implications, particularly as regards housing and education, were more debatable.
The rate of admission, however, could not be substantially reduced still further unless C vouchers were virtually eliminated; and this would be inconsistent with the Government's statements in Parliament during the debates on the Bill.

The Act also empowered him, on the recommendation of the Courts, to order the deportation of a Commonwealth immigrant who had been convicted of a crime punishable by imprisonment. This authority, however, was subject to two limitations. The first arose from the lack of immigration control over travel from Ireland, since there were no means of preventing an individual deported to the Irish Republic from returning to this country. There was no satisfactory remedy for this situation. In addition an individual could not be deported if he had remained in the United Kingdom for more than five years. There would be no advantage in extending this period unless the present legislation as regards United Kingdom citizenship and nationality were amended at the same time, since this permitted citizens of Commonwealth countries to be registered as of right as citizens of the United Kingdom and Colonies after five years' residence and in this way they could gain exemption from deportation under the Act.

The Commonwealth Secretary said that the administration of the Act had evoked less criticism from Commonwealth countries than had originally been feared. In so far as the regulation of coloured immigration had helped to diminish racial friction in this country the Act had in fact improved Commonwealth relations. There would be no objection, therefore, to a further gradual reduction of the rate of issue of vouchers and even to their elimination in category C.

In discussion the following main points were made:

(a) The present rate of immigration, coupled with the high birth rate among coloured immigrants, still gave rise to serious social problems and it might be desirable on this account to restrict the issue of vouchers still further. A refusal to accept further applications for C vouchers might in any event be desirable as regards applicants from India and Pakistan, since the present rate of admission implied that most current applicants stood no chance of acceptance during their lifetime.

(b) The administration of the health control of immigrants was not entirely satisfactory, since it did not comprise dependants, who might represent a greater health risk than the voucher-holders themselves. In future, therefore, dependants might well be required, as were voucher-holders, to submit to medical examination and to undergo treatment if they were found to be sick. Such a requirement, however, could not be enforced without legislation.

(c) Any marked change of policy at the present time would be undesirable on broad political grounds, particularly since the social implications of the present rate of immigration had to be weighed against the advantages of an additional supply of labour.

The Prime Minister, summing up the discussion, said that the rate of immigration was still a matter for concern and the Home Secretary might wish to consider, in consultation with the Ministers concerned, the special problems arising from the issue of C vouchers. It would be undesirable, however, to embark on any radical change of policy at the present juncture.

The Cabinet—

(1) Took note of C.P. (64) 89.

(2) Invited the Home Secretary, in consultation with other Ministers concerned, to consider whether, on the assumption that the present policy as regards
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Commonwealth immigrants would be maintained, there would nevertheless be advantage in some gradual reduction in the rate of issue of category C vouchers.

(3) Invited the Home Secretary, in consultation with the Secretary of State for Scotland and the Minister of Health, to consider whether the dependants of immigrants should be subjected to the same measures of health control as the immigrants themselves.

Cabinet Office, S.W. 1,
30th April, 1964.