CABINET

CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 6th April, 1967,
at 10 a.m.

Present:
The Right Hon. HAROLD WILSON, M.P., Prime Minister
The Right Hon. GEORGE BROWN, M.P., Secretary of State for Foreign Affairs
The Right Hon. JAMES CALLAGHAN, M.P., Chancellor of the Exchequer
The Right Hon. HERBERT BOWDEN, M.P., Secretary of State for Commonwealth Affairs
The Right Hon. ROY JENKINS, M.P., Secretary of State for the Home Department
The Right Hon. PATRICK GORDON WALKER, M.P., Minister without Portfolio
The Right Hon. ANTHONY CROSLAND, M.P., Secretary of State for Education and Science
The Right Hon. THE EARL OF LONGFORD, Lord Privy Seal
The Right Hon. FRED PEART, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. CLEDWIN HUGHES, M.P., Secretary of State for Wales

The following were also present:
The Right Hon. FREDERICK MULLEY, M.P., Minister of State for Foreign Affairs (item 4)
The Right Hon. MICHAEL STEWART, M.P., First Secretary of State and Secretary of State for Economic Affairs
The Right Hon. LORD GARDINER, Lord Chancellor
The Right Hon. RICHARD CROSSMAN, M.P., Lord President of the Council
The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland
The Right Hon. DOUGLAS JAY, M.P., President of the Board of Trade
The Right Hon. ANTHONY GREENWOOD, M.P., Minister of Housing and Local Government
The Right Hon. R. J. GUNTER, M.P., Minister of Labour
The Right Hon. BARBARA CASTLE, M.P., Minister of Transport
The Right Hon. RICHARD MARSH, M.P., Minister of Power

Secretariat:
Sir BURKE TREND
Mr. P. ROGERS
Mr. W. A. NIELD
Mr. H. L. LAWRENCE-WILSON
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Parliament
The Torrey Canyon
(Previous Reference: CC (67) 16th Conclusions, Minute 1)

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week. They also discussed the terms of a Motion for debate in the House of Commons on the wreck of the Torrey Canyon and the possibility that a Select Committee of the House of Commons might be appointed to enquire into certain aspects of the disaster. There was general agreement that it would be inappropriate for a Select Committee to be appointed for this purpose alone, since this might give the appearance of an inquest being carried out on the action which the Government had taken, whereas the important issue was to consider what measures and precautions should be taken to provide safeguards against future disasters of this nature. It would therefore be preferable for the existing Select Committee on Science and Technology to be invited to examine these aspects in due course, after the work at present in hand in the two Ministerial Committees, with their supporting Official and Scientific Committees, had been brought nearer conclusion.

The Cabinet—

(1) Invited the Home Secretary to consider with the Secretary of State for Defence and the Minister of Housing and Local Government, in the light of their discussion, the terms of the draft motion to be tabled in the House of Commons on the Torrey Canyon.

(2) Invited the Lord President of the Council, in consultation with the Minister without Portfolio, to consider inviting the Select Committee of the House of Commons on Science and Technology to consider the measures which should be taken to guard against or deal with any future disasters like that which had been caused by the wreck of the Torrey Canyon.

2. The Prime Minister recalled that he had circulated the previous September a procedural memorandum (C (P) (66) 8) inviting Ministers to restrict travel abroad as far as possible and, when they found it necessary to make journeys overseas, to take the minimum number of officials with them. There had recently been some occasions when our delegations to conferences overseas seemed to have been unduly large and Ministers should seek to ensure that on future occasions they were accompanied by the smallest possible number of advisers.

There was a further related issue to which he would invite the attention of Ministers. This was the growing tendency for departmental representation at meetings of the main Whitehall committees for Departments to be represented by two, three or even four spokesmen. While allowance must be made for those cases
where several divisions within a Department had a major interest
in the subject under discussion, the result in general was both wasteful
and inefficient and the tendency should be reversed. It should be
regarded as a Department’s duty to maintain such necessary
co-ordination as to enable it to be adequately represented at
interdepartmental meetings by one, or at the most two spokesmen.
He would consider how these issues could best be pursued.

In discussion there was general recognition of the need to restrict
the size of delegations to conferences. The suggestion was made that
there would, in particular, be advantage if one Minister were in charge
of each delegation and consequently responsible for restricting its
total size, even although he might need to be accompanied by other
Ministers. There was also agreement on the need to avoid attendance
at committee meetings by several representatives of any one
Department.

The Cabinet—

Took note, with approval, of the Prime Minister’s statement
on the need to restrict the size of United Kingdom
degulations on overseas visits and to restrict the number of
departmental representatives at meetings of committees.

3. The Commonwealth Secretary said that the situation in
Nigeria was still unstable. Although it had been thought that
31st March might prove a critical date in relations between the
Eastern Region and the Federal Government, the former had not in
fact declared its secession. The Eastern Regional Government were
however now diverting to themselves revenue from oil royalties which
under the Constitution should be paid to the Federal Government.
The Chairman of the National Liberation Council of Ghana (General
Ankrah) was continuing his attempts to achieve agreement between
the leaders of the Federal Government and the Government
of the Eastern Region. The suggestion for an initiative by the
Commonwealth Secretariat in which the United Kingdom Special
Representative in East and Central Africa, Mr. Malcolm MacDonald,
might play a part had however been rejected, primarily because
General Ankrah and others concerned had felt that a solution should
be found by the Africans themselves.

The Commonwealth Secretary said that the Minister of State
for Commonwealth Affairs (Mr. Thomas) had on his present visit to
Uganda succeeded in allaying the fears of the President of Uganda
(Dr. Obote) that we were endeavouring to interfere in Ugandan
affairs or to assist the exiled Kabaka of Buganda. Dr. Obote’s own
position was in doubt, however, and a military coup d’état against
him might well take place, though probably not in the immediate
future.
The Commonwealth Secretary said that the recent military coup d'état in Sierra Leone had been successful and the National Reformation Council led by Colonel Juxon-Smith was wholly in control. Brigadier Lansana, the head of the army and leader of the previous attempted coup, had been sent to a post in the United States. The position relating to the Governor-General was constitutionally somewhat confused but in effect he had been suspended but not dismissed, and no problem of recognition of the new régime in Sierra Leone therefore arose. There was no threat to Europeans in the country.

In discussion it was recognised that these further examples of instability in African ex-colonial territories seriously embarrassed our Rhodesian policy.

The Cabinet—

Took note of the Commonwealth Secretary's statements.

4. The Cabinet resumed their consideration of the memorandum by the Prime Minister and the Foreign Secretary summarising their discussions on their visits to the capitals of the European Economic Community (EEC) and the annexed Record of these discussions (C (67) 33). They also had before them a Note by the Secretary of the Cabinet covering a further memorandum by officials on agriculture and the Common Market (C (67) 44).

The Prime Minister recalled that the Cabinet had agreed at the end of their previous discussion of this subject a provisional procedure for further discussions, namely that they should first conclude their assessment of the results of the European tour, i.e., the main obstacles to our entry to the EEC which the Cabinet had not already discussed (freedom of capital movements, Commonwealth problems, and regional policies) and the two main concerns expressed by the Six (the problem of sterling as a world currency, and the change in the character of the Community which would result from the entry of the United Kingdom and from the entry or association of her partners in the European Free Trade Association (EFTA)). The Cabinet should then turn to consider the further paper on the common agricultural policy (C (67) 44) for which they had asked at their meeting on 21st March, and any further interdepartmentally agreed factual papers on other subjects which the Cabinet might need. Thereafter it would be necessary to consider the report which the Cabinet at their meetings in October and November had asked officials to prepare on courses alternative to entry to the EEC, i.e., membership of an Atlantic Free Trade Area, and a policy of abstention from any new association with wider groupings of countries. This report might be considered on 13th April. The Cabinet might then go on to consider the further memorandum which he and the Foreign Secretary had
undertaken to provide, analysing the various options open if it were decided to continue with the approach to Europe. It was difficult to lay down any more precise programme, since the timetable would need to be settled by the Cabinet in the light of the progress of their discussions, which in view of the issues at stake must be thorough and have adequate time. Provisionally, if the Cabinet were to devote their meetings on the 13th, 20th and 27th April and probably also on 4th May to the programme he had indicated, the stage at which a decision could be taken should be reached about 10th or 11th May, and this would permit an announcement of the decision before the probable date for the Whitsun Recess. This would be desirable, since otherwise at least two weeks would elapse during the Recess and further delay would ensue thereafter, since his visit to the United States and Canada would begin on 29th May. It would therefore be convenient if the Parliamentary debate which would have to be held after any such announcement could take place before the Recess, though it could if necessary be held afterwards.

In discussion of further procedure the following points were made—

(a) It would be desirable for the Cabinet to have additional factual assessments of the economic effects of entry to the Community if this were in 1967 or alternatively in 1968; of the total effect of entry, and not simply the effect of the common agricultural policy, on our balance of payments; of the legal and constitutional consequences of entry; and of the implications of free movement of labour within the Community. It was agreed that the first two studies should be prepared by officials in consultation with the Economic Advisers: arrangements had already been made to review and re-circulate to the Cabinet the previous report (E (66) 10, circulated to the Cabinet before CC (66) 53rd Meeting) on legal and constitutional questions and considered in the Cabinet's discussions in October and November; and a paper by officials on the freedom of movement of labour would be ready for the Cabinet's consideration on 13th April. It would be desirable that Ministerial papers should not be circulated until after the Cabinet had completed their consideration of the necessary studies by officials.

(b) It was suggested that there might be some advantage in arranging, at an appropriate stage, for the Cabinet to consider the implications of entry into the EEC in discussions on the lines of those which had been held at Chequers in October 1966.

(c) The timing suggested by the Prime Minister and particularly the period envisaged for a definitive decision would be likely to fit in well with other events to which their decision was related, notably the crucial stages of the Kennedy Round of tariff negotiations and the proposed meeting of Heads of the EEC Governments in Rome. It was possible that a decision reached about 10th or 11th May would precede the determination of the outcome of the Kennedy Round; and this must be avoided; on the other hand the French, who throughout the Kennedy Round had been the most dilatory negotiators, now contemplated a conclusion of these negotiations about 7th May; and it would be very difficult for a successful
conclusion of the Kennedy Round to be delayed significantly beyond 15th May. It was also important that the Cabinet's consideration should not be so prolonged as to give an impression of lack of determination or of divisions of opinion which might itself prejudice the success of a decision, if such were taken, to apply at once for negotiations for entry into the EEC.

(d) The nature and timing of the consultations with EFTA and the Commonwealth to which we were committed would present a difficult problem. If the consultations were delayed until after a decision had been taken (but not announced), or even when it was about to be taken, it must be regarded as certain that the decision or the prospect of it would become public knowledge before it could be announced to the House of Commons; and it was imperative to avoid this. The pressures from EFTA for consultation were much more insistent than those from the Commonwealth. The prime concern of the EFTA countries was to be informed of our decision in advance, so that if it were to apply for negotiations for entry, they could then consider, in the light of the consequences for EFTA, what action they themselves should take; they did not wish, however, to be faced with a fait accompli. There were two possibilities. We could consult EFTA on a hypothetical basis at an early date: but it was doubtful whether this would satisfy our partners in the Association. On the other hand it would be dangerous to reach a decision, and to announce it almost simultaneously to EFTA and Parliament, but before the Kennedy Round had finished. Officials were considering whether there was any way of avoiding this dilemma by such devices as separate bilateral consultations with EFTA by one or two Ministers, perhaps followed by a collective meeting with EFTA on the date on which our decision was announced. It would be desirable to await the outcome of these enquiries and to consider what course should be followed later in April when the prospects for the Kennedy Round might have been somewhat clarified.

The Cabinet then turned to the consideration of the other issues arising from the tour.

Capital movements

The Chancellor of the Exchequer said that the United Kingdom now operated a rigid control over capital movements to the non-sterling area, including European countries, and a voluntary programme of restraint on the export of capital to the sterling area. If we were to enter the EEC without making provision for the continuation of our exchange controls, there would be unacceptable consequences for our balance of payments. It would therefore be necessary for us, in any negotiations with the EEC, to secure a transitional period until such time as the strength of our balance of payments had been increased and established. The risks were more serious in respect of portfolio than of direct investment. Investors in the United Kingdom were more accustomed to international investment than those in the Community; for example, an upsurge of equity prices on the United States Stock Exchange on Wall Street
would, without exchange control, result in substantial flows of capital
from the United Kingdom. As regards direct investments, outflows
if we were to join the Community might clearly be greater than they
were now, but it was not possible to estimate what they would be,
and in any event there would be an off-setting and probably greater
inflow, especially from firms in the United States, who would prefer
to establish or expand enterprises in this country where their
conditions of operation and notably the common language would be
more convenient than on the Continent. It would no doubt be
possible to produce a range of figures for the net outflow or inflow
representing the best consensus of expert opinion, but no reliance
could be placed on figures based on such a wide range of uncertain
factors. The essential point was that we must develop and establish
during a transitional period an external surplus such that our financial
stability could not be shaken by any capital movements likely in
those circumstances.

The Prime Minister said that during the European tour he and
the Foreign Secretary had drawn a sharp distinction between portfolio
direct investment. As regards direct investment one could only
guess at the net result of the inflows and outflows; his own view was
that there might well be a net outflow of direct investment to the
Community, offset by a larger inflow from the United States for
the reasons given by the Chancellor of the Exchequer. Such a result
would be advantageous for our regional policies because we should
be able to insist that the new investment should take place in the
development areas.

In discussion, it was suggested that there were serious risks that
the removal of foreign exchange controls and the consequential flow
of direct investment funds would lead to the movement of industry
both to the EEC and to those parts of the United Kingdom which
were closest to the Continent, notably the South East of England,
especially when the Channel Tunnel was completed. It would be
no consolation even for a relatively prosperous area of the United
Kingdom to lose employment in this way that there was offsetting
new employment elsewhere arising from new investment by the United
States, even if that new employment were in a development area.
Indeed some Ministers saw a risk that the United Kingdom itself
might increasingly assume the characteristics of a development area
owing to the gravitational pull in a large area of free trade of the
regions of greatest economic and industrial activity. The lower basin
of the Rhine and the adjacent ports such as Rotterdam exemplified
an area whose facilities and levels of activity would be likely to attract
industry away from the United Kingdom.

It was further urged that the real risk to our regional policies
did not arise from the provisions of the Treaty of Rome or regulations
so far made under it, but from the effect which the removal of our
foreign exchange control would have in weakening our capacity to
enforce our regional policies, whether by the restrictions of the Indus­
trial Development Certificates (IDCs) or by our fiscal and financial
incentives favouring the development areas. At present, many United
States concerns took the view that so long as there were two blocs
in Europe, EFTA and the EEC, it was advantageous to maintain a factory or factories in each bloc. But if the two blocs were merged, such firms might choose to concentrate their activities on the Continent, and there was some evidence for this in the fact that our failure to enter the Community in 1963 had not, as had been expected, reduced American investment in the United Kingdom, which had in fact increased since then.

On the other hand it was pointed out that many large firms had maintained factories in the United Kingdom and increased their exports from them, despite having to face the Community tariff and despite their possession of plants in the EEC which were not so handicapped. Our motor industry had been cited as being at risk, but Fords for example had said that they would have transferred their activities in Dagenham to the EEC but for their expectation that the United Kingdom would join the Community. Chrysler's investment in Rootes had been similarly protected by specific pledges; General Motors were expanding in Lancashire, and BMC would remain a British firm. The investments which had been made of very large sums in plant now in the United Kingdom would inhibit transfers of the activities represented by these investments to the Continent. It was also necessary in these matters to consider the balance of advantage between what would happen if we entered the Community and what would happen if we did not; in the latter event, given the size and wealth of the Community market, it was even more likely that there would be a slow transfer of investment and economic activity from the United Kingdom to Europe in order to avoid the tariff barrier. Moreover it would be difficult in the long run to use our exchange controls against United Kingdom firms who were unable to export to Europe over the EEC tariff and who consequently wished to establish factories on the Continent.

In further discussion it was suggested that, whereas the effect on our balance of payments of freedom of capital movements in regard to direct and portfolio investment had been taken into account, the effect of a flight of capital had not. It was pointed out on the other hand that in the discussions with the Dutch we had been amply assured that we should be able as members of the Community to protect ourselves against such threats. Moreover in our balance of payments crisis leads and lags in payment had played a much greater part than capital flight; and recent international monetary arrangements such as currency swaps between Central Banks and the Basle Agreement had substantially reduced the dangers of capital flight.

Portfolio investment presented a more serious risk than direct investment or capital flight unless in the event of our entry into the Community sufficient protection against these risks was negotiated. There were two risks, namely that the flow of portfolio investment funds to the EEC would be greater than the reverse flow to the United Kingdom; and that the absence or inadequacy of a fence of foreign exchange control round the Community would permit a large net outflow of United Kingdom funds to third countries, notably the United States. Of these two risks the latter appeared the more
serious in view of the skill of our merchant bankers in arranging profitable transfers of funds with great rapidity. For these reasons it had been made clear on the European tour that we could not relax our controls on portfolio investment to the EEC until the EEC itself had instituted similar controls; and even if the Community did, the doubt would remain whether their controls would be sufficiently effective in view of the difficulties of regulating flows of funds. Nevertheless there was some reassurance in the fact that Article 70 of the Treaty of Rome provided for a member country which was threatened by such flows of funds to exercise national control against them, provided that the EEC was informed; once we were members we could ourselves propose the institution of effective Community controls. In such a proposition we might well find that the French would be our best allies.

The Prime Minister, summing up this part of the discussion, said that it had perhaps been based too much on the circumstances of the present and of recent years in which the economies in Europe had been strong, and our own and that of the United States in deficit. A more dynamic analysis, recognising the growing strength of our own position and the great change which would come about in the position of the United States economy if the war in Vietnam were brought to an end, might well show a substantial change in circumstances, especially over a period of several years for which we might hope to secure transitional provisions in respect of freedom of capital movements. It had been made clear on the European tour that we should require such provisions and the discussion had brought out that it would be particularly important to secure effective safeguards in respect of portfolio investment.

Regional policies

The Prime Minister and the Foreign Secretary said that they had nowhere found during their recent tour any disposition to question the acceptability of the regional policies which we at present operated. It had become increasingly clear that each of the Six countries was able to pursue regional policies suited to its circumstances and their hosts had clearly expected that we should be allowed similar latitude provided that our measures did not involve discrimination against other member countries or their nationals. Although the issue had been discussed at considerable length only in Rome, it had been clear from their subsequent discussions of this subject, both formal and informal, in other capitals that the Governments concerned were aware of our position and did not take the view that this would give rise to any difficulty in relation to the policy and practice of the Community. During the visit to The Hague, for example, the Netherlands Prime Minister had stated that the Netherlands Government operated regional policies designed to promote investment in certain parts of the country and, as a corollary, to inhibit developments in other parts.

In discussion it was recognised that it seemed that we should be free to continue our present policies of regional development if we were to join the EEC. It was however argued that their effectiveness would, in such circumstances, be considerably weakened. The system
of control on the siting of new firms and factories which was operated through IDCs would be less effective; while it would be open to us to require any firm, whether British or foreign, seeking to set up a new factory in the United Kingdom to establish it in a development area, it would no longer be possible to prevent United Kingdom firms establishing branches in Europe. Moreover, the effectiveness of the system of IDCs in relation to foreign firms seeking to establish new factories would also be lessened when, by establishing a factory in Europe, they could export its products duty free to the United Kingdom. Furthermore, it was argued that the encouragement to United States investment in the United Kingdom which would be afforded by our joining the EEC had been over-emphasised and that the level of United States investment during the previous few years had derived much of its incentive, not from the prospects of our entering into the EEC at some later date, but rather from the need of the firms in question to establish themselves within the tariff preference area of EFTA. The firms in question which had, for the most part, also established branches within the EEC might well be disposed to concentrate on the latter if we were to join the Community and therefore come within the same tariff area. In considering the extent to which United Kingdom firms themselves might, if we were to enter the Community, be encouraged to expand in order to increase their exports to Europe, we must also have regard to the extent to which our entry would lead to the loss of our present Commonwealth and EFTA preferences and hence diminish the markets available for our exports other than in the EEC itself.

It was also argued that some of the firms which had established factories in the development areas in recent years were, to the extent that this process had been in part subsidised as a result of regional development policies, not firmly based and were therefore particularly susceptible to competition from European firms in the event of our entering into the Community. The position in Wales up to the early part of the 1970s gave cause for particular anxiety because of the extent to which in that period there would be further closures of collieries and the need to develop alternative sources of employment. On broad economic grounds, it was argued that there was likely to be a gradual concentration of industry in the central industrial area of Europe and in these circumstances there was reason to fear that the United Kingdom would increasingly be on the periphery of industrial development. This would be particularly disadvantageous in so far as Community policy, whether on freedom of capital movements or on regional development, might weaken the restrictive parts of our regional controls and so require the incentive parts to be strengthened at further cost to the Exchequer.

On the other hand it was argued that the incentive which would be given by entry into the Community to United Kingdom firms to establish branches in Europe had been greatly over-emphasised. The greater part of the industrial production of most firms was for sale in the home market. It seemed improbable that such firms would establish new factories on any scale outside the United Kingdom in
order to produce goods solely for export. In any event, to the extent that there was such an incentive, it was greater in present circumstances than it would be if we were to join the Community, because of the present need of United Kingdom firms to escape the Community tariff by basing some of their production in Europe. Nor did the argument relating to the incentive given to the United States firms to establish branches in the United Kingdom as well as in Europe in order to have bases of production within two separate tariff areas seem justified by experience, since there was good reason to suppose that despite the setback in 1963 a considerable part of recent United States investment in this country had been prompted by the prospect of our eventually joining the EEC. We could moreover reasonably expect that, to the extent that some United Kingdom firms did establish branches in Europe, there would be some counter-balancing investment in this country by European firms who might find it advantageous to base some of their production here for sale in the United Kingdom market. Nor should the extent to which the central industrial area of Europe attracted new industrial investment, including investment by United Kingdom firms, be over-emphasised. An undue concentration in this area would undoubtedly lead to higher wage rates and other effects which would prove a disincentive to industry. Moreover the substantial success which had been achieved by the Italian Government in promoting industrial development in Southern Italy, or the similar success which had been achieved in South West France, and even the establishment of new industries in areas of the United States remote from the central industrial areas, showed that even in existing circumstances such attractions as were offered by a central industrial complex like that in the lower Rhine basin could well be effectively countered by national policies within the EEC. If our own policies in development areas had in some instances led to the establishment there of firms which were not soundly based, this would in the longer run be disadvantageous to our economy whether or not we joined the EEC. The strength and growth of our economy as a whole had a greater influence on the extent of investment in development areas than any other factor. There was good reason to think that our entry into the EEC would prove a substantial incentive to industry to increase investment and would therefore lead to a faster rate of economic growth. The need to face European competition would necessitate the formation of bigger United Kingdom industrial units which would also call for increased investment. This view was strengthened by the results of the recent survey which had been carried out by the Confederation of British Industry, which showed that United Kingdom industry in general took the view that our entry into the Community would be to our industrial advantage. Both on particular grounds relating to our regional policies and on broader grounds relating to industrial development which would be crucial to further growth in the development areas, it was therefore urged that our entry into the Community would at the least not be disadvantageous to regional development. To the extent that particular problems arose in the next two or three years, these could be met by transitional provisions such as we might reasonably expect to be able to negotiate.
In further discussion there was general agreement that it would be helpful for a study to be carried out departmentally by officials of the effect of entry into the Community on our planning policies: such a study should take into account the influence which would in any event be exerted by the opening of the Channel Tunnel on industrial development in the South East of England. But the wide range of variation over a period of years of other factors relating to industrial growth in the development areas would make it impossible to make any reliable quantification of the effect on such development of our entry into the Community.

The international role of sterling

The Prime Minister said that the British economic position, the international role of sterling and the sterling balances had been a prominent feature in the discussions on the tour. Throughout these, he and the Foreign Secretary had emphasised the favourable development of our balance of payments and our belief that the sterling balances would not and should not become a drag on the Community. The Dutch had suggested that the Community should be protected from any obligation to assist us financially if any future difficulties on our balance of payments arose from sterling’s role as an international currency rather than from the United Kingdom balance of payments as such. We had confirmed that we did not regard Article 108 of the Treaty of Rome as obliging the Community as such to underwrite difficulties that we might encounter in consequence of the world-wide uses of sterling and had undertaken to consider, if they wished, giving them a derogation to this effect. It appeared that the tour as a whole and this discussion in particular had done much to reassure the members of the Community on this particular issue.

The Cabinet—

(1) Took note, with approval, of the Prime Minister’s proposals for their programme of further discussions of the approach to Europe and of alternative policies; that he would arrange for the preparation of further studies on the aggregate effect of entry into the EEC on the balance of payments of the United Kingdom, and of the economic effect of entry for say 1967 as against 1968: for any necessary revision of the study of the legal and constitutional effects of entry considered by the Cabinet in November 1966: and for circulation of the report by officials on the implications for the United Kingdom of freedom of movement of labour between members of the Community.

(2) Agreed to postpone consideration of the nature and timing of consultation with EFTA and the Commonwealth until a further study of the problems of such consultation was available and until the end of the Kennedy Round negotiations was more clearly in sight.
SECRET

(3) Took note that the Prime Minister would arrange for an interdepartmental study by officials of the effect of entry into the EEC on United Kingdom planning policies.

(4) Agreed to resume their discussion on the approach to Europe at a subsequent meeting.

Cabinet Office, S.W.1,
6th April, 1967.