CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Tuesday, 6th June, 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. DENIS HEALEY, M.P., Secretary of State for Defence
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

The following were also present:
The Right Hon. KENNETH ROBINSON,
M.P., Minister of Health (Items 1-3)
The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury (Items 1-3)

The Right Hon. MARGARET HERBISON,
M.P., Minister of Social Security (Items 4 and 5)
The Right Hon. Sir ELWYN JONES, Q.C.,
M.P., Attorney-General (Items 1 and 2)

The Right Hon. JOHN SILKIN, M.P.,
Parliamentary Secretary, Treasury
SECRET

Secretariat:
Sir Burke Trend
Mr. P. Rogers
Miss J. J. Nunn
Mr. H. L. Lawrence-Wilson
Mr. L. Errington

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The Prime Minister said that, during his visit to Ottawa, his discussions with the Canadian Prime Minister, Mr. Pearson, had been mainly concerned with the situation in the Middle East and the possibility of action by the maritime nations to assert the freedom of navigation in the Gulf of Aqaba. The position of the Canadian Government had been somewhat reserved, partly owing to their internal differences. He had also had some discussion of the situation in Vietnam.

In Washington his discussions with President Johnson about the Middle East had shown that, perhaps for the first time in recent years, the United States Government felt more in need of our support on an international problem than we felt in need of theirs. They were clearly concerned at the possibility that they might be internationally isolated in terms of the policy which they wished to pursue in the Middle East as they already were to a considerable extent as regards their policy in Vietnam; and they were as anxious as ourselves that any action to ensure freedom of navigation in the Gulf of Aqaba should be multilateral and should not be based solely or primarily on United Kingdom and United States efforts. The discussions on this subject, however, had been largely overtaken by the hostilities between Israel and the Arab States which had broken out shortly after his return from Washington.

In the discussions on Vietnam he had expressed to the President our grave concern at the possibility that the extent and intensity of the conflict might increase and had made it clear that we must feel ourselves free at any time to take further initiatives in pursuit of a settlement if we judged it opportune to do so. It seemed likely that the extent of United States bombing of North Vietnam had been moderated to some extent; and there was no question but that the United States Administration were anxious to seek a settlement if one could be obtained on any reasonable terms.

In discussing our position in South-East Asia the President had opposed our intention to leave the mainland of Asia (save for Hong Kong) in the mid-1970s; but, perhaps because of the developments in the Middle East, this view had not been pressed as hard as we had previously expected and the United States Administration realised that we should take our decision in the light of our own interests, after considering the views of our allies. They were anxious that we should succeed in our application to join the European Communities and recognised that in the course of our negotiations it would be necessary for us to present the Anglo-American relationship in a manner which would involve the least incompatibility with our professed desire to become more European in our outlook and policies. In this connection he had reminded President Johnson of our earlier public statement that it would be desirable at some stage to renegotiate the Nassau Agreement. Indeed, the present visit had shown that the concept of a special relationship between the United States and ourselves was in any event undergoing a gradual
modification, although close relations in the shape of continuing consultations on international affairs would no doubt continue.

The Commonwealth Secretary said that in the course of his visit on behalf of the Prime Minister to the Expo '67 Exhibition in Montreal, he had had further evidence of the division of view in the Canadian Cabinet in respect of the Middle East. Expo '67 was proving an exceptional attraction, having had 9 million visitors so far; the British pavilion was outstanding.

The Cabinet—

Took note of the statements by the Prime Minister and the Commonwealth Secretary.

2. The Foreign Secretary said that, from the information available to us, it seemed that Israel had won a considerable initial victory against the air forces of the Arab countries. Numbers of Egyptian aircraft had been destroyed on the airfields and there had been no reports or claims of Egyptian air action; although Syrian and Jordanian aircraft had been operating, they had been largely ineffective; there was no truth in the report that the oil refinery at Haifa had been bombed; nor had there been any air raids on Tel Aviv and the shelling of the city from the sea had been ineffective. It was not however clear that Israel was achieving a comparable success in the land battle in the south where a hard struggle was taking place: the Israelis were being reticent about its progress. Heavy fighting was taking place in Jerusalem where attempts to maintain a cease fire had twice broken down after an initial acceptance; Israel appeared that day to have taken the offensive against Jordan following shelling by Jordanian troops. We were taking administrative action to delay the shipment of arms to Middle East countries while an assessment was made of the attitudes and actions of other countries, including particularly those of France and the Soviet Union; the United States had stopped the supply of arms to both sides. Our shipping had been warned to delay for 24 hours any approach to the Suez Canal, which was now reported to be closed. British dependants and other civilians were being evacuated from the most dangerous areas and preparations were being made for further evacuations if necessary.

He had seen the Ambassadors of the Arab States at their request on the previous day. Their initial attitude had been one of strong protest and they had proposed recommending collectively to their Governments the withdrawal of sterling balances, but he had succeeded in reassuring them about our attitude and no such recommendation would now be made. In most of the Arab capitals local forces now had the situation under control and earlier attacks on British property had ceased. Meanwhile exchanges were taking place with the Governments of the United States, the Soviet Union, France and Italy and it might be that in due course it would be
possible to concert action towards a settlement of the crisis between the four Great Powers, though much would depend on the course of the fighting in the Middle East itself. In the Security Council, a resolution confined to an appeal for a cease fire had failed to gain the necessary support and it might be necessary for us to accept a resolution in less satisfactory terms, as an alternative to a most undesirable failure on the part of the Council to agree on any resolution at all.

The Defence Secretary said that the military assessment was that Israel had succeeded in eliminating the Egyptian Air Force; this would have a major effect on the land battle. There had been allegations by Egypt and Jordan that Israel had been given air cover by British and United States carrier-borne aircraft; this was completely untrue and, so far as we were concerned, physically impossible. Iraqi troops had entered Jordan and in view of the Israeli attack on the country it was likely that King Hussein would fall. Plans to evacuate British nationals by air from some of the countries involved would be difficult to implement since the airfields that we would need were closed and there was a risk that, if Algerian troops moved through Libya on their way to the United Arab Republic (UAR), they would attack British forces and nationals there. There was no indication of any Soviet troop movements relevant to the Middle East situation.

In discussion doubts were expressed about the proposal that we should support a resolution in the Security Council which would purport not merely to deprive Israel of all the advantages that she would gain by successful military action but also to alter the situation to her disadvantage as compared with that which obtained before the events immediately leading to the present hostilities. There was general agreement, however, that it was of great importance for us to do what we could to avoid a situation in which the prestige of the United Nations was damaged irreparably by failure to take any action at all in the present crisis and that we would make it plain that, in voting for a resolution some parts of which were both unrealistic and contrary to the view that we held about such matters as the right of innocent passage through the Straits of Tiran, we were doing so with reservations in respect of those parts.

As regards the supply of arms to the Middle East, it was generally agreed that it was important to ensure that we did not hold up supplies to Israel if the Soviet Union continued to supply the Arab States. It was not clear how the Soviet attitude would develop, particularly if it were to appear that Israel was likely to achieve overwhelming victory, since this would mean a loss of prestige for her and also an increased possibility that Chinese Communist influence would spread in the Middle East. The likelihood was that in these circumstances the Soviet Union would become willing to agree to an attempt by the major Powers to stop the fighting; a recent message to the Prime Minister from the Soviet Prime Minister,
Mr. Kosygin, had dealt only with attempts to stop the fighting and had contained no recriminations or allegations of the kind that were appearing in the Soviet Press. We should consider what the elements of a lasting settlement might be in the event of an Israeli victory and also what action we should take if the present indications that Israel was succeeding in her military action were reversed and her defeat became probable.

The Cabinet were informed that events in the Middle East had not so far seriously affected the position of sterling. So far as possible we should not allow external events of the present kind to influence our internal economic policy.

The Prime Minister, summing up the discussion, said that the Cabinet agreed with the action in the United Nations proposed by the Foreign Secretary. There had been embarrassing Press comment about the alleged views of individual Ministers at the Cabinet’s previous discussion: the origin of these comments should be investigated by the Lord Chancellor. As regards the present situation, it would no longer be appropriate to pursue the proposal for a declaration by the maritime Powers on the right of innocent passage through the Straits of Tiran; and contingency planning to enforce this right had been suspended. The Foreign Secretary would report further to the Cabinet at their next meeting on developments in the Middle East situation: the Ministers immediately concerned would decide as necessary on any action that was required meanwhile on arms supplies to the Middle East.

The Cabinet—

(1) Took note, with approval, of the Prime Minister's summing up of their discussion.

(2) Invited the Lord Chancellor to investigate the origin of recent Press speculation about the views expressed by individual Ministers in earlier Cabinet discussions on the Middle East.

3. The Commonwealth Secretary said that the main danger in Nigeria at present was that irregular forces from the Northern Region might attack the Eastern Region in consequence of the declaration of independence by Colonel Ojukwu, the military Governor of the latter. It did not, however, appear that there were any moves by regular forces of the Federal Government and it was significant that the Head of the Military Federal Government, Major-General Gowon, had recently appointed to the Executive Council a number of civilians, including Mr. Awolowo, the main political leader in the Western Region. The economic measures being taken by the Federal Government against the Eastern Region appeared to be having some effect, but could not be expected to be decisive in the longer term. The United States Government had arranged to evacuate all United States women and children in the East. The
morale of British subjects in this area was excellent and, although we had arranged for dependants to be evacuated from the most dangerous parts of the East, we had not officially advised civilians to leave and so far some of those evacuated had only been moved to safer areas of Nigeria. Preparations for evacuation had, however, been taken; two British ships were standing by in Port Harcourt and we should evacuate a number of civilians by air if necessary.

No African country had as yet recognised the independence of the Eastern Region, nor had we ourselves yet had any request for such recognition from Colonel Ojukwu.

The Cabinet—

Took note of the statement by the Commonwealth Secretary.

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4. The Cabinet considered a memorandum by the Minister without Portfolio and the Minister of Social Security (C (67) 92) on the legislation necessary to enable an interim increase in family allowances to be made in the autumn. The Cabinet had also before them a memorandum by the Minister of Social Security (C (67) 93) on the case for taking the necessary power.

The Minister without Portfolio said that the Cabinet had previously decided that there should be no interim increase of family allowances in advance of a final decision on the form of a “give and take” scheme of family endowment, which must be deferred until the completion of the review of public expenditure. It had become apparent that if a decision on the need for an interim increase were so deferred it would not be possible, should the Cabinet eventually decide on an increase, to pass the necessary legislation before the Summer Recess. This would mean that an interim increase could not coincide, as would be desirable for both practical and presentational reasons, with the increase in national insurance benefits in October and possibly could not be introduced before Christmas. He had considered with the Lord President, the Minister of Social Security and the Chief Whip how the Government could best put themselves in a position to make an interim increase without prejudicing the decisions on the ultimate scheme; and they had reached the conclusion that the best, if not the only, way of enabling the increase to take effect in October, while reserving decisions on the amount and scope of the increase until firm decisions on family endowment could be taken in the light of the review of public expenditure, was to include an enabling power in the National Insurance Bill which would be introduced later that month. The power would be transitory and would provide for any Order made under it to cease to have effect in April 1968 when the new scheme for family endowment would come into operation. While the interim increase would be subsumed in the new scheme of family endowment,
and would not prejudice decisions on the latter, the Cabinet should recognise that the taking of the power in the National Insurance Bill would virtually commit the Government to making some interim increase.

The Minister of Social Security recalled that the Government were committed to seek out and alleviate poverty affecting children and old people, and had given repeated assurances since November 1965 that the problem of child poverty was being urgently considered. Pressure for improved family endowment would be revived by the publication later in the month of her Department's survey of family circumstances and, because of the long delay in announcing the Government proposals, it was, in her view, imperative that interim provision should be made for an increase of family allowances to take effect, certainly before Christmas, but preferably at the same time as the increases in national insurance benefits, since otherwise the dependency benefits for children would have to be reduced when the increased allowances were paid. If nothing were done, the increase in Supplementary Benefit in the autumn would further increase the number of families living below Supplementary Benefit level and the numbers affected by the "wage stop". The numbers would also be increased by any rise in the level of unemployment. While the amount and distribution of an interim increase in family allowances should be left for subsequent consideration, it was possible that the extra expenditure could most effectively be concentrated on the larger families, for example, by an increase of 4s. a week in the allowances for third and subsequent children.

In discussion there was general agreement that, if an interim increase in family allowances were to be made, power to do so should be taken in the forthcoming National Insurance Bill. It would not be possible to enact before the Summer Recess a separate Bill introduced after decisions had been taken in the light of the review of public expenditure, if the House rose as planned about the beginning of August; nor would it be acceptable to leave over such a Bill for completion in the autumn at the end of the Session. To introduce a Bill at the beginning of the new Session would not enable an interim increase to be made sufficiently in advance of the proposed general improvement in family endowment in April 1968.

In further discussion it was suggested that a decision to take power to increase family allowances in the National Insurance Bill was inconsistent with the Cabinet's earlier view that a decision on an interim increase should await the outcome of the review of public expenditure. It would mean reverting to a piecemeal approach to the problem of family provision, whereas the relative advantages of increasing cash allowances, as compared with increasing benefits in kind, ought to be more fully considered, and extra expenditure on family allowances would necessarily limit the possibilities, for example, of implementing the recommendations of the Plowden Report on primary education. An interim increase which would necessarily be small if it were not to prejudice subsequent decisions.
on family endowment would have little impact on the problem of family poverty and would offend those who were opposed to any general increase in the allowances, irrespective of needs. Many families with incomes below supplementary benefit level would obtain no advantage from an increase confined, as had been suggested, to larger families, while some families with high incomes would benefit. It was suggested that consideration should be given to the adoption of a more selective interim scheme related to need which would make a greater impact on family poverty and be less open to objection.

On the other hand, it was pointed out that the Cabinet had already reached a decision in principle against the adoption of any means-tested approach to family endowment. An interim increase in family allowances on a modest scale would not prejudice subsequent decisions on improvements in family endowment, whether through the adoption of a generalised “give and take” scheme, or a generalised improvement in family allowances without an element of “give and take” or a combination of the two. It would be unacceptable to wait until the following April before taking any action to relieve family poverty and the Government would be exposed to strong criticism if, while making provision for increases in the social security benefits of all other sections of the community, they made no extra provision for children.

The Prime Minister, summing up the discussion, said that on balance the Cabinet were agreed in principle that there should be an interim increase of family allowances to take effect concurrently with the general increases in national insurance benefits at the end of October, and that the legislative basis could best be provided by including in the National Insurance Bill a power operative until April 1968 to enable family allowances, if necessary for some only of the children in a family, to be increased by Order and national insurance dependency benefits for children to be correspondingly reduced. The Cabinet recognised that this would involve a commitment to make some increase, but the amount and distribution of the increase were left open for later decision in the light of the review of public expenditure and the increase would be subsumed in the subsequent improvement in family endowment. While the Cabinet had earlier decided against the adoption of any means-tested approach to family endowment, the making of an interim increase in family allowances did not affect their subsequent freedom of choice between a “give and take” type of scheme, or a further general increase in family allowances, or a combination of the two.

The Cabinet—
Invited the Minister of Social Security to arrange for the inclusion in the forthcoming National Insurance Bill of a provision to enable family allowances to be increased by Order in accordance with the Prime Minister’s summing up of their discussion.
The Chancellor of the Exchequer said that, after discussion the previous day with the First Secretary of State, the President of the Board of Trade and the Minister of Technology, it had been decided to carry out a measure of reflation in respect of the motor car industry. This action was in accord with the economic strategy which he had considered in February while preparing the Budget, when he had had in mind that such a measure might be desirable by the middle of the year. The mitigation of the existing restrictions on hire-purchase should stimulate the economy by increasing substantially the demand for, and the production of, motor cars during the course of the year. We should not be deterred from taking such a measure, which was necessary for the health of the country's internal economy, by the repercussions of the situation in the Middle East on our external position. We should, however, bear in mind that it might prove necessary to reimpose the restrictions in some degree the following spring, though this would depend on the course taken by the economy in the intervening period.

The Cabinet—

Took note, with approval, of the statement by the Chancellor of the Exchequer.

Cabinet Office, S.W.1,  

* Previously recorded in a Confidential Annex.