CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W.1, on Wednesday, 16th July, 1969, at 4 p.m.

Present:

The Right Hon. HAROLD WILSON, M.P., Prime Minister

The Right Hon. MICHAEL STEWART, M.P., Secretary of State for Foreign and Commonwealth Affairs (Items 1 and 2)

The Right Hon. LORD GARDINER, Lord Chancellor

The Right Hon. BARBARA CASTLE, M.P., First Secretary of State and Secretary of State for Employment and Productivity

The Right Hon. DENIS HEALEY, M.P., Secretary of State for Defence

The Right Hon. PETER SHORE, M.P., Secretary of State for Economic Affairs

The Right Hon. WILLIAM ROSS, M.P., Secretary of State for Scotland

The Right Hon. EDWARD SHORT, M.P., Secretary of State for Education and Science

The Right Hon. RICHARD MARSH, M.P., Minister of Transport

The Right Hon. LORD SHACKLETON, Lord Privy Seal

The Right Hon. ROY MASON, M.P., Minister of Power

The Right Hon. ROY JENKINS, M.P., Chancellor of the Exchequer

The Right Hon. RICHARD CROSSMAN, M.P., Secretary of State for Social Services

The Right Hon. JAMES CALLAGHAN, M.P., Secretary of State for the Home Department

The Right Hon. FRED PEARL, M.P., Lord President of the Council

The Right Hon. ANTHONY CROSLAND, M.P., President of the Board of Trade

The Right Hon. GEORGE THOMSON, M.P., Minister without Portfolio

The Right Hon. ANTHONY WEDGWOOD BENN, M.P., Minister of Technology

The Right Hon. CLEDWYN HUGHES, M.P., Minister of Agriculture, Fisheries and Food

The Right Hon. GEORGE THOMAS, M.P., Secretary of State for Wales

The Right Hon. JUDITH HART, M.P., Paymaster General

The Right Hon. JOHN DIAMOND, M.P., Chief Secretary, Treasury
The following were also present:

The Right Hon. REGINALD PRENTICE, M.P., Minister of Overseas Development (Item 2)

The Right Hon. KENNETH ROBINSON, M.P., Minister for Planning and Land, Ministry of Housing and Local Government (Item 3)

The Right Hon. ROBERT MELLISH, M.P., Parliamentary Secretary, Treasury

Secretariat:
Sir BURKE TREND
Miss J. J. NUNN
Mr. R. R. D. MCINTOSH
Sir ROBIN HOOPER
Mr. J. CROCKER

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The Foreign and Commonwealth Secretary said that on 15th July he had attended the meeting of the Action Committee for a United States of Europe (the Monnet Committee) in Brussels. The Committee was holding a further session that day, at which the Minister of State for Foreign and Commonwealth Affairs, Lord Chalfont, was representing the Government, and Mr. Walter Padley was representing the National Executive of the Labour Party. The meeting had considered four reports: on agriculture, institutions, monetary problems and technology. Interest had focussed mainly on the report on agriculture, which had been quite helpful to our position, and had emphasised the need to give a new direction to the Common Agricultural Policy of the European Economic Community (EEC). The ensuing discussion had also been useful, in that it had provided an opportunity of refuting the French contention that British entry into the EEC was not a practical possibility. In private discussion the Netherlands and Belgian Foreign Ministers, Mr. Luns and M. Harmel, had taken the view that it was becoming increasingly impossible for the French to stand out against the opening of negotiations between the EEC and the United Kingdom. In the last extremity, the French might find that their partners in the Community would refuse to meet their demands on agriculture unless they agreed to negotiations with the United Kingdom.

In discussion, some concern was expressed over the position which might arise if the French were to exact the concession of their full demands on agriculture as a price for agreeing to negotiations for British entry. This would have serious implications for the United Kingdom and the Commonwealth. If there were any prospect of such a situation developing, we should have to be on our guard against being over-optimistic in our public pronouncements about the prospects of our entering the EEC. As against this, it was pointed out that we had in fact been extremely cautious in our public statements, making it clear that our application for membership was on the table and that the next move lay with the Community. This line would continue. As regards the attitude of the Five to French demands, the German Foreign Minister, Herr Brandt, had made clear his view that any changes contemplated in the Common Agricultural Policy should be made in concert with us. We should undoubtedly have to pay some price for membership of the EEC, and the financial and economic implications were currently under examination. However, though it remained our firm intention to enter the Community, we did not intend to do so at any cost.
The Cabinet—
(1) Took note of the statement by the Foreign and Commonwealth Secretary and of the points made in discussion.

Mr. Anthony Grey

The Foreign and Commonwealth Secretary said that the Chinese Government had made statements implying that they intended to release Mr. Grey when the Chinese journalists and Press workers at present under detention in Hong Kong were released on 3rd October. While too much should not be read into the Chinese statements, the prospects for the release of Mr. Grey now seemed fairly hopeful.

Bermuda
(Previous Reference: CC (69) 32nd Conclusions, Minute 3)

The Foreign and Commonwealth Secretary said that the Black Power Conference in Bermuda was now over. Not all the delegates had yet left Bermuda, and the possibility of trouble could not yet be entirely discounted; but there had been no major disturbances, and it was to be hoped that there would be none.

Greece

The President of the Board of Trade referred to reports in the Press of further arrests by the Greek régime of intellectuals, who were stated to include an economist of international repute. He suggested that our Ambassador in Athens should be instructed to make representations to the Greek Government.

In discussion, it was pointed out that since the persons involved were Greek nationals, there was little scope for intervention by our Ambassador on their behalf. Moreover, such influence as we had with the régime depended on our remaining on reasonably good terms with it. There was however a case for considering what action could usefully be taken within these limitations.

The Cabinet—
(2) Took note of the statements by the Foreign and Commonwealth Secretary.

(3) Took note of the statement by the President of the Board of Trade and of the points made in discussion.

(4) Invited the Foreign and Commonwealth Secretary to consider whether there was any action which could usefully be taken vis-à-vis the Greek Government.

Lancashire Textile Industry

The Cabinet had before them a memorandum by the President of the Board of Trade about the Lancashire Textile Industry (C (69) 79).
The President of the Board of Trade said that decisions were now needed on the recommendations of the Textile Council which had carried out a thorough enquiry into the industry's problems. The Council had proposed that, instead of the present comprehensive quota system, there should be a 15 per cent tariff on imports of cotton cloth from the Commonwealth. The most-favoured-nation rate would remain at 17\% per cent; and imports from the European Free Trade Association and the Irish Republic would continue to be duty free. In accordance with the terms of the GATT long-term agreement, it would be possible to impose quotas on individual categories of cotton textiles from particular sources, but only where there was proof of market disruption, which would be strictly defined. The economic arguments for protecting the industry by tariffs were strong, and there would be a gain both to the revenue and to the balance of trade in textiles. Moreover, this was the solution the industry wanted. India would lose by it and it would in his view be necessary—and possible without creating a precedent—to compensate her by additional aid. The only other Commonwealth country which would be seriously affected would be Canada, which had a large annual surplus in her trade with us. Developed countries would be the principal losers and apart from India the developing countries would not in general be significantly affected. The Textile Council had also recommended that the industry should receive the higher rate of investment grant payable in the development areas, but in his view this could not in present circumstances be justified. Consideration should however be given to a proposal by the Council relating to depreciation allowances; and the Industrial Reorganisation Corporation should be asked to consider sympathetically the possibility of using their powers to help in the restructuring of the industry. The economic and political arguments in favour of his proposals—which would have the support of the Textile Council, both sides of the industry and Members of Parliament from the textile districts—were very strong; and he proposed that he should make an announcement early in the following week.

In discussion it was argued that the proposal to give India additional aid as compensation for her loss of exports would create a dangerous precedent, especially in relation to our possible accession to the European Economic Community. The volume of trade involved was small, and India already received a very high proportion of our total aid. As against this, it was suggested that the effect on India and other developing countries had been underrated. A decision to abandon duty-free entry would represent a marked change of policy and to do it without compensating India for her loss of exports, despite our contractual obligations to her, would be
inconsistent with the Government's declared policy towards developing countries.

It was further suggested that the abolition of quotas would in practice lead to a deterioration in the balance of trade, and that, since it would not be accompanied by measures designed to improve the industry's ability to meet competition from imports, it would not be acceptable to the industry. The general view however was that, with falling consumption, quotas were bound to become less effective, and that a solution on the lines proposed by the President of the Board of Trade would be generally welcomed in Lancashire. The Textile Council's proposals on depreciation allowances would need further examination, in consultation with the Inland Revenue.

The Prime Minister, summing up the discussion, said that on balance the Cabinet endorsed the proposals of the President of the Board of Trade to impose a 15 per cent tariff on imports of cotton cloth from Commonwealth countries. There were divided views about the need to give India additional aid as compensation for any loss of exports. They could not in any case decide at this stage how much aid India should receive in 1972–73, when the new tariff would come into effect; this must depend on circumstances at the time, including both our own economic position and India's. In announcing their decisions to Parliament the President of the Board of Trade could, however, say that when the time came to determine the level of aid to India in 1972–73 any adverse effects on her exports arising from the imposition of the tariff would be taken into account against the background of her general aid requirements at the time. He should consult the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Overseas Development about the terms and timing of his statement.

The Cabinet—

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

(2) Agreed that the present system of comprehensive quotas should be replaced by a tariff on imports of cotton textiles from the Commonwealth at 85 per cent of the most-favoured-nation rate from 1st January, 1972.

(3) Invited the President of the Board of Trade, in consultation with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Overseas Development, to announce their decisions on the lines indicated in the Prime Minister's summing up.
3. The Cabinet considered a memorandum by the Secretary of State for Social Services about the implementation of recommendations of the Committee on Local Authority Personal and Allied Services (C(69) 81).

The Secretary of State for Social Services said that the central recommendation of the Committee on Local Authority Personal and Allied Services (the Seebohm Committee) was that a unified social work service should be provided at local level by amalgamating the local authority children's and welfare services and certain other local authority social work functions, by providing that a statutory committee should be responsible for these services and should be served by a principal officer whose appointment should initially be subject to Ministerial approval. The Seebohm Committee had recommended that these organisational changes should be made obligatory on all responsible authorities without waiting for local government reorganisation. The Government had made it clear that they would not reach decisions on the report until they had examined it, with the administrative reorganisation of the health services, in the light of the recommendations in the report of the Royal Commission on Local Government in England (the Redcliffe-Maud Report). The Ministerial Committee on Social Services had considered all these matters in close association with the Ministerial Committee on Local Government Reorganisation, and proposed that the Government should announce now their agreement with the Seebohm Committee's central recommendation; should discuss with local authority and other interests how best to give effect to it against the background of the Redcliffe-Maud Report; and should announce in the autumn their decisions on the Seebohm proposals and the related issue of the future role of the local authorities in the health field. He proposed, if the Cabinet agreed, to make an early statement in the House of Commons on the terms of the draft annexed to C(69) 81. The statement committed the Government to the acceptance of a single local authority social services department, and to the intention of making a start with the implementation of the Seebohm report by introducing early legislation ahead of the main local government reorganisation. There was no need to take a decision on the method of implementing the Seebohm report until consultations with local authorities had been completed in the autumn; and the Social Services Committee were at present divided as between a comprehensive solution which would oblige all local authorities to implement the main recommendation, and a selective scheme which would enable the reorganisation of the local authority social services to be linked with the progress of local government reorganisation in consequence of the Redcliffe-Maud Report.
In discussion it was pointed out that the Government faced the likelihood of opposition whatever decision was made in the autumn: from the medical profession, if Medical Officers of Health were excluded as such from senior posts in the local social service departments; and from social workers, if they were brought under the control of Medical Officer of Health. But there were strong reasons in the interests of children for insisting that the local social service department should have its own professional head, notwithstanding the probable demand from local authorities to be allowed to organise their committees as they saw fit. Local authorities were already protesting that the time allowed for the consideration of the Redcliffe-Maud Report was inadequate; and, if they were required to undertake an obligatory reorganisation of their social services first, the major reorganisation of local government might be prejudiced. If prior action to implement the Seebohm report was considered essential, the selective approach was to be preferred to the comprehensive; but it might in the circumstances be better to do nothing to implement the Seebohm recommendations in advance of the reorganisation of local government itself. Further, it would be well to avoid the apparent contradiction between the arguments deployed in support of the House of Commons (Redistribution of Seats) (No. 2) Bill and the decision to implement the main recommendations of the Seebohm Committee notwithstanding that a major reorganisation of local government was impending. This contradiction was liable to be exploited by the Opposition (notwithstanding that a distinction could be drawn between changes in boundaries and the reorganisation of the structure of local government), and to be misunderstood by the Government’s own supporters.

In discussion of the draft statement it was agreed that “aim” should be substituted for “propose” in the last sentence of paragraph 2, and that the second and third sentences of the final paragraph should be omitted.

The Cabinet—
(1) Approved the draft statement appended to C (69) 81, as amended in discussion.
(2) Invited the Secretary of State for Social Services to settle the timing of a statement in consultation with the Lord President.
(3) Agreed that the method of establishing integrated local social service departments should be considered in the autumn in the light of consultations with interested bodies.

Cabinet Office, S.W.1,
17th July, 1969.