CABINET 33 (82).

CONCLUSIONS of a Meeting of the Cabinet, held at 10, Downing Street, S.W.1, on MONDAY, JUNE 7, 1920, at 11-30 a.m.

PRESENT:-

The Prime Minister (in the Chair).

The Right Hon. A. Bonar Law, M.P., Lord Privy Seal.

The Right Hon. A. Chamberlain, M.P., Chancellor of the Exchequer.


The Right Hon. Viscount Milner, G.C.V.O., G.C.M.G., Secretary of State for the Colonies.

The Right Hon. W. S. Churchill, M.P., Secretary of State for War and Air.

The Right Hon. R. Munro, K.C., M.P., Secretary for Scotland.


The Right Hon. the Lord Lee of Fareham, G.B.E., K.C.B., Minister of Agriculture and Fisheries.

The following were also present:-


The Right Hon. Lord Birkenhead, Lord Chancellor.


The Right Hon. E. S. Montagu, M.P., Secretary of State for India.


The Right Hon. W. A. L. Fisher, M.P., President of the Board of Education.

The Right Hon. Sir L. Worthington Evans, Bart., M.P.
With reference to Conclusion 2 of a Cabinet Conference held in Paris on January 11, 1920, the Lord Chancellor stated that further applications were being made for Judges to preside over various Commissions, and these could not be met without the additional Judges for whom he had asked in his Memorandum (Paper C.P.-52). He pressed that this question might be considered at an early date. In reply to an enquiry, he stated that legislation was not involved by his proposals, which could be carried out by resolution.
(2) With reference to Cabinet 31 (23), Conclusion 2, the Prime Minister stated that on the previous evening he had had a talk with General Tudor, who had recently been sent to Ireland. As a result, he had come to the conclusion that it would be advantageous to make some public statement to show that the Government were strengthening the Administration.

Attention was drawn to the following Question to be put the same afternoon by Mr Donald:—

"To ask the Prime Minister whether he will state if it is the intention of the Government to take steps to bring to justice all persons who are associated with crime in Ireland; and whether all measures necessary will be taken to ensure the prosecution and punishment of persons accused of having committed an act in violation of the law."

It was suggested that this would provide a suitable opportunity for discussion.

There was general agreement that in any statement, details, or anything which could be used for eliciting details, should be avoided, particularly in regard to the intended re-organisation of the Civil Service, the character of which had not yet been considered by the Cabinet.

The Cabinet agreed —

That Mr Philip Kerr, in consultation with the Chief Secretary for Ireland, should draft for the consideration of the Prime Minister a reply indicating in general terms that, in order to combat the campaign of assassination, the Government are taking steps for re-organising the Executive, reinforcing the Police, and increasing the military garrison, and that it will probably be necessary for the Government to ask Parliament to strengthen the law.
(3) With reference to Appendix I (1), the Chancellor of the Exchequer reported that he had been detained by the Belgian Ambassador, who was pressing him to see the Belgian Minister of Commerce, who had already endeavoured to see the Prime Minister after the Hythe (Lympne) meeting, and wished to discuss questions relating to reparation and the forthcoming meeting at Spa.

The Prime Minister stated that he had received a telegram from M. Millerand indicating that he was favourable to a postponement of the Spa Conference until July 5th; that he proposed a meeting of the Allied Powers concerned at Brussels two or three days before; and that he wished to have a private conversation with the Prime Minister about June 21st. He invited the views of the Cabinet on the matter.

In view of the meeting proposed for Brussels, the Chancellor of the Exchequer sent word to postpone the proposed meeting with the Belgian Minister of Commerce.

The Cabinet left the remaining questions relating to the Spa Meeting to be settled by the Prime Minister in consultation with the Secretary of State for Foreign Affairs, but the following was the trend of the views expressed at this short discussion:

(a) No objection was raised to the postponement of the Meeting at Spa, nor to the Inter-Allied Meeting to precede it at Brussels.

(b) It was realised that the Italian Government were inclined to be suspicious of private discussions between the British and French Governments, but it would be difficult, in the present state of public opinion in France, to refuse. The best plan would be to give the Italians an opportunity to be present.

(c) If the Chancellor of the Exchequer, owing to the fact that he would be conducting the Finance Bill through Parliament, was unable to be present at the meeting between the Prime Minister and M. Millerand when reparations would be the principal subject of discussion, he should be represented by Sir John Bradbury and Mr Blackett, of the Treasury.

(d) It might be more convenient to hold the meeting at Boulogne than at Paris.
FISHING, (4) With reference to War. Cabinet 577, Conclusion 6—The Cabinet had before them a Memorandum by the Secretary for Scotland (Paper C.P.-1397) dealing with a proposal to guarantee the purchase of pickled herrings cured during the forthcoming summer fishery in Scotland and the autumn fishery in England. It was proposed that the Government should guarantee to purchase up to a maximum of 1,000,000 barrels for the Scottish summer fishery at the price of 60/- a barrel, and up to a similar maximum for the English autumn fishery at a price of 70/- a barrel—thus incurring a maximum liability of about £7,500,000.

It was explained to the Cabinet that a similar guarantee in the form of a loan and not as a subsidy, had been granted last year, and that if certain German bills matured there would be a considerable profit on the transaction. The grounds for interfering last year had been that the export trading facilities to Germany were exceedingly bad and the rate of exchange very high and uncertain. It had then been anticipated that, in the course of the ensuing twelve months, the situation would have improved, but in fact it had become materially worse, and similar measures to those adopted last year were again necessary if the industry were to be saved from disaster. The collapse of so important an industry would involve, directly and indirectly, some 200,000 persons, a large number of whom had rendered the State most arduous and devoted service on the seas during the five years of the War. To fail to come to the help of these loyal fishermen in the present crisis would cause much unemployment and engender a very bitter spirit. Other countries who were our active competitors—Norway, Holland and Denmark—were recognising the abnormal conditions of the Central European market, and were affording financial help.

On the other hand, the Cabinet were reminded that, on the occasion of the announcement of the guarantee last year,
it had been distinctly stated that the Government would renew their assistance and that the industry must take steps to adjust itself to the prevailing conditions in order to become self-supporting. The maximum prices now put forward were substantially higher than those agreed to last year, which were:— 56s.6d. per barrel for 400,000 barrels in the case of Scotland, and 66s.6d. per barrel for 600,000 barrels in the case of England.

With reference to the alleged profit which the Government had made upon last year’s guarantee, it was observed that the realisation of this profit depended on German credit, and that in any case we had to lose out of the money for two years. There was little likelihood of commercial conditions becoming normal in the course of the next twelve months, and the result would be a fresh demand next year for a similar guarantee, and a postponement of the re-establishment of the industry on sound conditions.

Lastly, it was impossible for the Government to have regard solely to this demand. The Treasury had to consider it in relation to all the other pressing demands for money which were being advanced by the different Departments, and there were signs of widespread dissatisfaction with the tendency to use the monies obtained to reduce the debt for fresh Departmental expenditure.

In reply to a suggestion that the herrings might be exported to Austria, Czecho-Slovakia, the Argentine and other markets, it was stated that it had been found impossible to stimulate any large demand in those quarters, and that 80 per cent. of the pre-war export trade in these herrings was done with Germany and Russia. It was also pointed out that the sum that had been allotted by the Government to help to feed Central Europe was already practically exhausted, and that the relief schemes did not apply to Germany and Russia.

After some further discussion, the Cabinet agreed —

To reject the proposal for a guarantee and to ask the Secretary for Scotland and the President of the Board of Trade to consider the
possibility of applying the export trading credit scheme to the export of pickled herrings.

(5) With reference to Cabinet 30 (20), Conclusion 3 (e), the Cabinet further discussed the question of the garrison of Batum. They had before them a telegram from General Milne to the War Office, dated May 30, 1920 (Paper CP.-1376), and they were informed that the War Office, in consequence of the shipping difficulties referred to in that telegram, after consultation with the Prime Minister, had sent a telegram to General Milne instructing him to give warning of the evacuation, to collect shipping, to make arrangements for the complete withdrawal of the Allied forces at the earliest possible date, and to cable the date when the operation could commence, but not to begin the actual embarkation until further orders.

Objection was taken to the despatch of the foregoing telegram without Cabinet discussion, and attention was called to the divergent policies which were being pursued in the matter by the Foreign Office and the War Office respectively. It was contended, on the one hand, that the telegram sent by the Secretary of State for War, while perhaps modifying the previous decision of the Cabinet, did not in fact authorize embarkation to take place. It was urged, on the other hand, that there were no signs of impending disaster to Batum, and that if the negotiations with P. Krassin developed favourably it might be possible, within a very short time, to secure the recognition by the Soviet Government of the independence of the Caucasus, and to hand over Batum to Georgia. In the meantime, our representative at Tiflis was beseeching His Majesty's Government to help Armenia and Georgia with arms.

In the course of the foregoing discussion on Batum, reference was made to the Anglo-Persian Agreement and to the popular dissatisfaction, which was growing, with our expenditure in that region and on small military adventures in various centres in the Caucasus, at a time when economy was urgently necessary and when we were very much in need of troops for Ireland.

The discussion was adjourned.
The Committee had before them the Last and End Minutes of the Committee on Future Transport Policy, dated February 14 and May 5, 1920, together with Memoranda by the Minister of Transport dated February 9 and May 1, 1920, with a covering Note by the Secretary, Cabinet (Paper C.P.-1264).

The Cabinet were informed that the subject of Future Transport Policy had been carefully considered by a Committee of Ministers set up in February last by the Prime Minister, and that they had given their approval in principle to the proposals of the Minister of Transport as regards railways, and recommended that he should be authorised to open negotiations with the Companies on the basis of these proposals.

In the course of a summary of the proposals which was then submitted to the Cabinet, it was pointed out that three courses were open to the Government:

(i) To nationalise the railways in the sense of taking over both the ownership and the operation of the railways;

(ii) To allow the railways to go back to their pre-war position as competing bodies, and give them increased charging powers;

(iii) To take a middle course and, while continuing private ownership, to insist on an amalgamation of groups of railways, for the sake of economical operation, and to couple with this a measure of direct and indirect State supervision.

The policy now recommended was the third, and its justification was to be found in the history of the railways of this country. They had grown up in an unsystematic and parochial fashion, with the result that they were now very expensive and wasteful.

A number of comparative figures were laid before the Cabinet, showing that the efficiency of our railway system was inferior in many respects to that of other countries whose commercial and industrial development had been more or less parallel with our own. The nation could not afford to perpetuate this inferior system, and it was therefore necessary, while retaining the advantages of private ownership
and permitting competition between the areas served by groups, to frame a policy which would enable a gradual levelling up process to take place.

It was proposed to group the railways into five or six large geographical areas, giving time for these combinations to be formed voluntarily, but taking powers to secure combination compulsorily. The District Boards of Management would be composed of 21 members, 12 of whom would represent the shareholders, and 1 of whom would be Chairman; 3 administrative officers, and 6 workmen elected by the workmen from among those employed by the railways of the group. This would give the operating and administrative staffs a definite interest in the direction of the Company, and would exclude from membership of the Board of Management trade union officials from the headquarters of the Union. In order to require the railway groups to conform to high standards of management, and to protect the public, certain powers would need to be vested in the Minister of Transport: but before exercising some of these powers he would be required to consult a Railway Advisory Committee, composed partly of technical experts of the Ministry, partly of outsiders, and partly of technical railway officers. The basis of the financial administration of the groups would be the fixation of rates at a level which would give the amalgamated Companies a pre-war standard of revenue, provided they were efficiently managed. Any surplus above this "living wage" to capital, it was proposed to share between the Government and the group, on a sliding scale basis. Amounts for each group would be fixed approximating roughly to 1 per cent on ordinary capital: the first of these amounts surplus to standard revenue to be divided, one-third to the State and two-thirds to the Companies; the second, fifty per cent to the State and fifty per cent to the Companies; and the third, two-thirds to the State and one-third to the Companies. The State's
share of the surplus profit should be funded for the development of light railways and of backward districts from a transportation point of view, and an undertaking should be given that, while the railways would not draw on the Treasury, the Treasury similarly would not draw on this development fund for general purposes. The precise character of the rate-fixing machinery was now the subject of examination by the Statutory Rates Advisory Committee, who would shortly submit an Interim Report. The provisions for dealing with wages were intended to remove the Government and the Ministry of Transport, as far as possible, from direct participation in wage disputes; and, as a result of the negotiations following the last strike, there were already in operation a Central Wages Board, consisting of masters and men in equal numbers, and a National Wages Board, which was composed, in addition, of representatives of the users of railways, together with an Independent Chairman.

In developing a policy for light railways, it was important to remove the temptation to the heavy gauge railways to starve out and cripple the light railways in order to take them over. Instead, every inducement should be offered to develop light railways in the interests of agriculture and other industries, which could be done by lowering the present unduly high standards of construction and safety. It was recommended that, where necessary, light railways should be financed out of the above-mentioned development fund.

It was proposed to leave the docks for the present undisturbed, but to continue the temporary powers conferred upon the Minister of Transport by the Transport Act, 1919, in connection with non-railway-owned docks, and to take similar, but less stringent, powers over railway-owned docks.
The position of the canals of the country was very unsatisfactory, and a Committee was being appointed to examine the whole position, under the Chairmanship of Mr Neville Chamberlain.

After some discussion of the proposals outlined above, the Cabinet agreed:

(a) To give their general approval to the proposals, and to authorise the Minister of Transport to announce them to the House of Commons at an early date; and to enter into negotiations with the interests concerned;

(b) To request the Minister of Transport to embody the proposals dealing with railways in a Draft Bill for submission to the Cabinet in due course.

The foregoing approval was given subject to the understanding that the railway policy would be governed by the principle that the railways were to be neither a burden nor a source of profit to the State, and that provision should be made to obtain from the railway revenue a definite sum annually towards the cost of the Ministry of Transport (other than the salary of the Minister), such sum to be fixed in consultation with the Treasury.
(7) The Cabinet took note of the Conclusions of the following Conferences of Ministers:

(a) Conference of Ministers held on May 28, 1920, at 12 Noon:
   (i) The Spa Conference.
   (ii) Enzel.
   (iii) Negotiations with M. Krasin.
   (iv) Trade Policy with Russia.
   (See Appendix I.) (Already circulated.)

(b) Conference of Ministers held on May 28, 1920, at 4-30 p.m.:
   (i) Irish Prisoners in Wormwood Scrubbs.
   (ii) Defence of Irish Coastguard Stations.
   (iii) Decision on questions relating to the League of Nations.
   (iv) Use of Asphyxiating Gas in Warfare.
   (See Appendix II.) (Already circulated.)

(c) Conference of Ministers held on May 31, 1920, at 12 Noon:
   General Policy in Ireland.
   (See Appendix III.) (Already circulated.)

(d) Conference of Ministers held on June 3, 1920, at 12-30 p.m.:
   (i) De-control of Wholesale and Retail Prices of Coal.
   (ii) De-control of Inland Distribution of Coal.
   (iii) Coastal Subsidy.
   (iv) Present Tendency of Wages.
   (See Appendix IV.) (Already circulated.)

(e) Conference of Ministers held on June 3, 1920, at 5-30 p.m.:
   (i) Resumption of Trade with Russia.
   (ii) Increase of Rent and Mortgage Interest (Restriction) Bill.
   (See Appendix V.) (Already circulated.)

2 Whitchell, Government House.
June 7, 1920.
CONCLUSIONS of a Conference of Ministers held at 10, Downing Street, S.W., on Friday, May 28th, 1920, at 12 noon.

PRESENT:

The Prime Minister (In the Chair).


Rt. Hon. the Viscount Milner, G.C.M.G., Secretary of State for the Colonies.


Rt. Hon. Sir L. Worthington Evans, M.P.

The following were also present:

Admiral of the Fleet Earl Beatty, G.C.B., Mr. E.F. Wise, C.B., Second Secretary, Ministry of Food.

E. Llewellyn Smith, G.C.B., Economic Adviser, Board of Trade.

Lieutenant-Colonel Sir M.P.A. Hankey, G.C.B. .................................. Secretary.

Thomas Jones ................................................................. Assistant Secretary.

St. Quintin Hill ............................................................. Assistant Secretary.

A. Howorth ................................................................. Assistant Secretary.
The Conference was informed that Signor Nitti had made a request for a postponement of the forthcoming Conference at Spa until July 15th. This request was based on the ground of the Parliamentary difficulties which Signor Nitti was experiencing. A similar request had also been made to M. Millerand, who was, however, opposed to any postponement, his opposition being attributable, no doubt, to the criticism which would arise in France if the Spa Conference were postponed.

The opinion was expressed that representation of both the French and the Italians at the Spa Conference was essential. So far, Signor Nitti had played a very useful part and had placed this country in the position of being a moderator between the two extreme views represented by the Italians, on the one hand, and the French on the other. If the Conference were held without the Italians, we should face France alone, and any difference of opinion with the French would be accentuated. It was essential, therefore, that Signor Nitti should be present at Spa. On the other side, it must be remembered that since the San Remo Conference M. Millerand had behaved very well and had loyally given his support to the carrying out of the decisions of that Conference. It would, therefore, be difficult to press M. Millerand, in spite of his objections, to yield to Signor Nitti's request for a postponement.

The Conference accordingly agreed —

(a) That the Secretary of State for Foreign Affairs should communicate with the French Ambassador and request him to inform his Government that the views of His Majesty's Government were as follows:

(1) That His Majesty's Government entirely agreed that it was most undesirable to postpone the Spa Conference.

(2) That His Majesty's Government were, however, of opinion that Signor Nitti's
preference at the Conference was indispen­
sable: and

(iii) That His Majesty's Government were
putting pressure on Signor Mitti
to be present at the Conference at
Spa, which should be held on the date
at present fixed for it, viz., June
21st. next. His Majesty's Government
would suggest that M. Millerand should
also put pressure on Signor Mitti.

(b) That a personal telegram to Signor Mitti
should be despatched by the Prime Minister,
stating that M. Millerand was understood to be
very opposed to any postponement of the Spa
Conference, for political reasons, and
that, in view of the loyalty which M. Millera h d
displayed in supporting the deci­
sions of the San Remo Conference, it could
be very difficult for His Majesty’s Govern­
ment to press him to agree to a postponement
of the Spa Conference. The telegram should
also make a strong appeal to Signor Mitti
to be present at the Spa Conference on the
date at present arranged, viz., June 21st, next.

(2) With reference to Cabinet 30 (20), Conclusion 3,
and to the decision that the War Office should carry out
the military dispositions they proposed for a concentration
at Kasvin of the military forces in North Persia, the
Conference were informed that the question had been raised
whether, if the Bolsheviks evacuated Enzeli, the British
forces should re-occupy that place.

The Conference agreed --

That it would not be in accordance with
the decision of the Cabinet (Cabinet 30
(20), Conclusion 3) taken on May 21st,
for British forces to re-occupy Enzeli
in the event of evacuation by the
Bolsheviks.

2
The Conference was informed that M. Krassin, member of the Soviet Executive, had arrived in this country in order to conduct negotiations regarding the reopening of trade with Russia. M. Krassin had stipulated that he should see the Prime Minister and the Secretary of State for Foreign Affairs, but the question arose as to who should be nominated to conduct the detailed negotiations with M. Krassin.

The Conference agreed —

That the detailed negotiations regarding the reopening of trade with Russia should be conducted on behalf of His Majesty's Government by the following:

The President of the Board of Trade,
Sir Laming Worthington Evans,

and

Representatives of the Treasury and the Ministry of Food.

The Conference had before them the following Papers regarding the Russian situation and the proposed negotiations with M. Krassin:

A Note by the Secretary of State for Foreign Affairs (Paper C.P.-1350);

A Note summarizing the Conclusions of the Inter-Departmental Russian Trade Committee on the Chief Obstacles to the Resumption of Trade with Russia (Paper C.P.-1349);

A Memorandum from the Political Intelligence Department, Foreign Office, entitled "Recent Tendencies in Soviet Russia" (Paper C.P.-1326).

The attention of the Conference was particularly drawn to the Note by Lord Curzon (Paper C.P.-1350), suggesting that the opportunity of M. Krassin's visit should be seized in order to come to an understanding concerning the many points on which the British Government were at issue with the Soviet Government in different parts of Europe and the East. These points were, in particular, the question of British prisoners and British subjects who had been detained in Russia; the question of Bolshevist interference in Afghanistan, in Persia and the Caucasus; and, finally, the question of...
of General Wrangel's force in the Crimea.

It was suggested that any agreement in regard to trade would be impossible unless a general agreement on the political questions at issue with the Soviet Government were arrived at. It was most desirable that a comprehensive arrangement should be reached. The Conference was asked to remember that the present political situation gave His Majesty's Government an opportunity for driving a good bargain. In Poland, while there were indications that at the moment the Bolsheviks were enjoying some success against the Polish Armies and that the Poles would be unable to maintain hostilities later than July, the Polish Army was a strong military force. In the Crimea, General Wrangel had succeeded in re-organising his Army and instilling discipline into it. He had also conciliated the other political parties opposed to the Bolsheviks, and his force was one which now had to be reckoned with. It seemed very likely that he would be able to hold the Crimea against all attacks. In the Ukraine there was strong anti-Bolshevik feeling, and the peasantry were well-armed and capable of offering a strong resistance to the Bolsheviks. All these facts must be borne in mind in negotiating with Krassin. It was accordingly suggested that the British Government should offer to the Soviet Government their whole-hearted co-operation in concerting a Peace between the Soviet Government, on the one hand, and General Wrangel and the Polish Government on the other. The agreement in regard to General Wrangel should provide that the Crimea should form an asylum for the remnants of the classes opposed to the Bolsheviks, and that immunity from Bolshevist advances should be granted to the Crimea for at least a year. If such an arrangement was come to it was thought that the situation in Russia would be greatly improved and would permit of the Russian refugees now in the Crimea returning under amnesty to Russia. In return, the British Government should insist on a comprehensive agreement which/
which should cover the various points at issue between the Soviet Government and this country, namely, the return of prisoners from Russia, and Bolshevist interference in Afghanistan, Persia and the Caucasus. The agreement should also cover Bolshevist propaganda in the United Kingdom, Allied countries and Central Europe. If either the Polish Government or General Wrangel refused to accept the intervention of the British Government, the only course open to us would be to leave them to their fate.

The suggestion was also made to the Conference that it would be desirable to obtain guarantees from the Soviet Government as to the action of the Bolshevist Fleet in the Baltic.

The Conference accordingly agreed —

(c) That before opening negotiations in regard to trade with Russia, the British Government should insist on the negotiation of a comprehensive political agreement with the Soviet Government, on the lines suggested in the Memorandum dated May 27, by the Secretary of State for Foreign Affairs (Paper G.P.-1360):

(b) That the Admiralty and the War Office should prepare, for circulation to the Cabinet, a statement of the particular points on which they wished a settlement to be reached with the Soviet Government, such as, for instance, the Naval situation in the Baltic.

(iii) The Conference next considered the representation of Allied Governments at the meetings with M. Krasin.

It was pointed out that the Supreme Council had approved a telegram to M. Krasin on April 26, 1920 (I.C.P.-109, Appendix I), which stated that the Supreme Council had decided to authorize representatives of the Allied Governments to meet M. Krasin and the Russian Trade Delegation with a view to the immediate re-starting of trade relations between Russia and other countries through the intermediary of the
Co-operative organisations, and otherwise. The telegram also stated that the Allied representatives would be prepared to discuss with the Russian delegates the best method of removing the obstacles and difficulties in the way of the resumption of peaceful trade relations with a desire of finding solutions in the general interests of Europe.

This telegram clearly made it essential that the French and Italian Governments should be represented at the negotiations with M. Krassin, and in any case the presence of representatives of the Allied Governments was desirable in order to preclude any appearance of separate negotiation on the part of His Majesty's Government. This was particularly necessary in view of the fact that, in accordance with the immediately preceding Minute, it was now proposed not merely to negotiate on the subject of reopening trade relations with Russia but to attempt to reach a comprehensive political agreement with the Soviet Government.

The Conference accordingly agreed —

That the Secretary of State for Foreign Affairs should communicate at once with the French Ambassador, and inform him of the policy which His Majesty's Government now proposed to adopt in the negotiations with M. Krassin. A copy of the telegram sent to M. Krassin on the approval of the Supreme Council (I.P.-109, Appendix I) should be communicated to M. Cambon, and he should be invited to attend the first meeting with M. Krassin. If M. Cambon refused to do so without authority from his Government, the question could be considered whether the Italian Charge d'Affaires should be approached. The Japanese Government should also be given an opportunity of being represented.

The Conference were informed that, although one of the Krasin's colleagues conditions on which M. Krassin and his party were admitted into this country was that they should not indulge in propaganda, M. Klishko was already making arrangements to secure the admission into Russia of certain British extremists. As this action sufficient to warrant representation being made to M. Krassin, with, possibly an
The Conference agreed—

That as so far the action taken by M. Kli{"o}schke did not afford sufficient ground for making any written communication to M. Krassin, but the Prime Minister should use his discretion to raise it at his forthcoming interview.

(4) On the assumption that it was desirable to resume trade relations with Russia, the Conference proceeded to consider the question whether it would not be better to negotiate on the basis of payment by Russia in raw materials rather than in gold.

It was agreed that it was important that we should get into as close touch as possible with the peasants and others who were actually producing in Russia, and that it would be better from a political point of view to receive payment in materials rather than gold.

It was pointed out that the answer to this question depended (1) on whether raw materials existed in Russia to any substantial extent, and (2) if they existed, whether they could be got out; and it was felt that if our aim was to encourage the actual Russian producer, better headway would be made if we proceeded in the initial stages to exchange British goods for gold in the hands of the Bolshevist Government, and thereby stimulating the improvement of transport facilities. It would be impossible for raw materials to be got out of Russia until much greater transport facilities were available than was the case at present. By exchanging railway material (locomotives and wagons) for gold, a start would be made which might result in the Russians being able to export raw materials. It was, however, generally agreed that an operation which went no further than the exchange of railway material for gold would serve no useful purpose.

A discussion then took place as to the possible rights of British creditors of the former Russian Government to attach any gold which might be sent to this country in
It was generally agreed that the legal position in regard to this matter was obscure, and that while it might be open to the actual owner of identifiable gold to recover such gold, the same consideration did not apply to a creditor of that owner, who would merely have a right to sue for a debt. If, however, gold payments were made by the Co-operative Societies, acting on behalf of the Russian Government, those Societies could be regarded as being in the position to give a title to the gold.

In answer to an enquiry by the Prime Minister, Mr. Wise stated that the commodities which Russia had to export were flax, timber, grain and platinum. It was improbable that any of the exportable commodities would form a part of the previous purchases of the British Government. It was estimated that there were about 20,000 tons of flax available, but this was thought an excessive figure by the Board of Trade. It should be possible to "eat a substantial quantity of grain out of the Kuban and the Caucasus, bartering it for agricultural machinery, tools, clothing, etc., all of which were urgently needed by the peasants. The negotiations might proceed on the lines of those adopted last year, when commodities were exported from Great Britain to the Sea of Azov and there bartered for grain, etc. M. Krassin was willing to allow the export of grain provided that he could first feed the inhabitants of the towns."
The Conference thought it would be desirable, if possible, to get from M. Krassin some general undertaking on the subject of the Russian pre-Revolution debt. It might be possible to get the Bolshevist Government to recognise that debt, even if they were not prepared at this stage to discuss proposals for liquidating it. This would apply to sums borrowed by former Russian Governments from the Allies, etc., as well as debts owing to private individuals.

It was pointed out that, in any negotiations, care would have to be taken not to emphasize the benefits accruing to British trade. It might be said that, in promoting the exchange of railway material for raw materials and gold, the British Government were actuated by purely selfish interests. It was pointed out, however, that it would be quite open to the French or Italian Governments to say what commodities they could supply in exchange for Russian materials.

Some doubts were expressed as to the possibility of the Ministry of Munitions being in a position to supply locomotives at the present time, but it was understood that a substantial number of railway wagons were available for export to Russia.

Ultimately it was decided:—

That a Committee, consisting of—

Sir Laming Worthington Evans (Chairman),
Sir H. Llewellyn Smith,
Mr. Cecil Hamsworth,
Mr. C. E. Niemeyer,
Mr. F. P. Wise,
Mr. R. E. Howorth (Secretary),

should meet to consider the situation as a whole, and set out the points to be put to M. Krassin at his forthcoming meeting with the Prime Minister.

Shall Gardens, S.W.1.,
May 28, 1920.
CONCLUSION of a Conference of Ministers held at 10, Downing Street, S., L., on Friday, May 23rd, 1920, at 4.30 p.m.

PRESENT:

The Prime Minister (in the Chair)

The Rt. Hon. A. Bonar Law, M.P.,
Lord Privy Seal.

The Rt. Hon. Sir L. Forthington Evans, Bart., M.P.,

The Rt. Hon. A. J. Balfour, O.M., H.P.,
Lord President of the Council.

The Rt. Hon. W. S. Churchill, M.P.,
Secretary of State for War & Air.

The Rt. Hon. H. A. L. Fisher, M.P.,
President, Board of Education.

The following were also present:

Admiral of the Fleet Earl Beatty,
K.C.B., O.M., G.C.V.O., D.S.O.,
First Sea Lord.

The Rt. Hon. Denis Henry, K.C.,
M.P., Attorney-General for Ireland.

Captain L. F. Burgis
Principal Assistant Secretary.

Lieutenant-Colonel Sir H. P. A. Hankey, C.B., Secretary.
With reference to Cabinet 20 (20), Conclusion 4, the Conference had under consideration the position of the Irish prisoners who had been released from Wormwood Scrubs. It was stated that at the present moment 13 prisoners were in custody, 225 had been removed to hospital, 3 were on parole, and 77 were at large in London. The question arose as to whether these men were to be re-arrested or whether they should be forcibly detained in this country.

It was pointed out that the Government was hardly in a position to come to a decision on this question until they were aware of the policy of the Irish Executive, both in regard to this and other matters, and that it would be advisable to postpone a decision until the Irish Government had placed their views before the Cabinet.

The Conference decided -

That the Viceroy, the Chief Secretary and the Commander-in-Chief of the Forces in Ireland should be invited to attend a meeting of the Cabinet on the following Monday.

The Attorney-General for Ireland undertook to communicate this decision to Sir Hamar Greenwood, Sir Nevil Macready, and the Secretary to Field Marshal Lord French.

The Conference had before them a Memorandum by the Admiralty (Paper G.P.-1353) in which it was stated that the Commander-in-Chief Western Approaches had represented that armed revolutionaries were attacking and burning Coastguard Stations, and that Sir Nevil Macready had stated that the civil and military authorities were incapable of protecting these Stations. The Admiralty agreed that, in the circumstances, a force of 800 Royal Marines should be utilised for this purpose.

The Conference decided -

(a) That the First Sea Lord should give instructions for 800 Royal Marines to be despatched to Ireland for the purpose of protecting the Coastguard Stations:

(b) That the Royal Marines should be under the orders of the Commander-in-Chief Military Forces in Ireland.
(c) That the Admiralty should indent on the War Office for any stores and supplies necessary for putting the Coastguard Stations in a state of defence. The Admiralty should also indent on the War Office for any transport required.

(3) The Lord President of the Council stated that he had a number of questions relating to the League of Nations which required a decision. He did not wish the time of the Cabinet to be taken up with these matters, and therefore suggested that the questions, which were not of first-class importance, should be referred to a small Committee for decision.

The Conference agreed --

That the Lord President of the Council should refer questions relating to the League of Nations, which required a decision, to a Committee consisting of --

The Lord President of the Council (Chairman),
The Chancellor of the Exchequer,
The Secretary of State for Foreign Affairs,
The President of the Board of Education,

Lieut.-Col. L. Storr (Secretary).

(4) With reference to Cabinet 27 (20), Conclusion 5, the Lord President of the Council stated that, owing to telegraphic delays, the Secretary's telegram, dealing with the question of the use of asphyxiating gas in warfare, had not reached him in time. The Council of the League of Nations had appointed a Consultative Committee to deal with military questions and he had drawn up a Questionnaire for their consideration.

May 28, 1920.
DRAFT CONCLUSIONS of a Conference of Ministers held at 10, Downing Street, S.W., on Monday, 31st May, 1920, at 12 Noon.

PRESENT:

The Prime Minister (in the Chair):


Right Hon. Lord Airkirkhead, M.P., Chanceller.

Right Hon. the Earl Carson, K.G., P.C., M.P., Secretary of State for Foreign Affairs.


Right Hon. the Earl Carson, K.G., P.C., M.P., Lord Lieutenant of Ireland.

The Right Hon. A. J. Balfour, O.M., Secretary of State for Home Affairs.


The Right Hon. H.A.L. Fisher, M.P., President, Board of Education.

The Right Hon. Sir J. Worthington Evans, Bart., M.P.,

THE FOLLOWING WERE ALSO PRESENT:

The Right Hon. Sir H. K. Macready, G.C.M.G., K.B.E., Commanding the Forces in Ireland.


P. Thomas Jones, Principal Assistant Secretary.

W. G. H. Wragg, Assistant Secretary.
With reference to Conclusion 1 of a Conference of Ministers held on May 28th, at 4-30 p.m., the Chief Secretary for Ireland was requested to make a statement to the Conference outlining the position of affairs in Ireland and the policy which the Irish Executive proposed to adopt.

The Chief Secretary, in the course of his statement, said that he considered that the most important task of the Irish Executive was to stamp out the campaign of murder and arson which prevailed more particularly in Dublin and in the Counties of Limerick, Cork and Kerry. All their other difficulties were subsidiary to this. After giving details regarding the methods employed by the organisers of these outrages, the Chief Secretary passed on to the means by which they should be combated. He expressed himself against the introduction of martial law at the present moment, but would prefer to await the result of the new method of putting down outrages by the use of mobile troops. He had great confidence in this plan, which had been suggested by Sir Nevil Macready and which was being developed energetically by him.

Some discussion then followed regarding the effectiveness of introducing martial law, but doubt was expressed as to the desirability of placing supreme power in the hands of a Court Martial.

Attention was then drawn to the assistance which would be rendered to the Irish Executive in dealing with their difficulties if only moderate public opinion in Ireland definitely were on their side. It was suggested that the best means of ensuring this lay in some plan whereby Irishmen were made to feel the effect of the campaign of murder and arson along economic channels. It would, no doubt, be impossible to do this by means of increasing the local taxation, but it might be possible to increase the pecuniary burdens of the Irish people by intercepting for the payment of compensation, etc., the equivalent and other grants in aid due from the Irish Local
Authorities. Mention was made of the fact that the Irish Executive already had a Bill drafted which carried out this suggestion, and it was generally agreed that such a Bill should be introduced in Parliament without delay.

Reference was also made to the effect which would be created by a curtailment of the every-day facilities of any area which was disaffected; e.g., postal and railway facilities together; perhaps, with an embargo on the marketable products of such an area.

It was generally agreed that the introduction of martial law at this moment was undesirable, but that it might be possible to obtain all the advantages and none of the disadvantages of such a course by reviving some of the powers given by Acts of Parliament (e.g., the Spencer and Harcourt Acts) which had been passed to deal with difficulties somewhat similar to those which existed at the present time.

The Conference decided —

That the Irish Executive, after consultation with the Lord Chancellor and the Attorney-General for Great Britain, should consider and make recommendations to the Cabinet as to —

(a) Lapsed powers contained in Acts of Parliament which might be revived at the present time by the Irish Executive:

(b) The best method of imposing fines and penalties on Irishmen in an affected area:

(c) The best method of interfering with the every-day facilities of an affected area.

The Conference further decided —

That the decision of the Cabinet regarding the recruitment of a special force (See Cabinet 30 (20), Conclusion 4) should be reconsidered in a week or ten days' time; in the meantime, the Secretary of State for War to take no action.

May 31, 1920.

2, Whitehall Gardens, S.W. 1,
Draft Conclusions of a Conference of Ministers held at 10, Downing Street, S.W., on THURSDAY, June 3rd., 1920, at 12.30 p.m.

PRESENT:

THE PRIME MINISTER (in the Chair).

Right Hon. A.J. Balfour, O.M.,
Lord President of the Council.

Right Hon. E. Shortt, K.C., M.P.,
Secretary of State for Home Affairs.

Right Hon. C. Addison, M.P.,
Secretary of State for War.

Right Hon. Sir Robert Horne, G.B.E.,
M.P., President, Board of Trade.

Right Hon. the Lord Lee of
din, G.B.E., K.C.B., Minister of
Agriculture and Fisheries.

The Right Hon. A. Chamberlain, M.P.,
Chancellor of the Exchequer.

The Right Hon. Sir Eric Cohles,
G.C.B., K.C.B., M.P., Minister of
Transport.

The Right Hon. T.J. Marnamara, LL.D.,
M.P., Minister of Labour.

The Right Hon. H.A.L. Fisher, M.P.,
President, Board of Education.

The Right Hon. Sir Laming
Worthington-Evans, Bart., M.P.

THE FOLLOWING WERE ALSO PRESENT:

Right Hon. Sir A. Mond, Bart., M.P.,
Commissioner of Works.

Right Hon. A.H. Illingworth, M.P.,
Under-Secretary.

Mr. Bridgeman, M.P., Parliamentary
Assistant, Board of Trade, (for
Conclusions 1, 2 and 3).

Mr. A.R. Duncan, Coal Controller,
(for Conclusions 1 and 2).

Secretary: E. Wicks, Assistant Secretary, Cabinet.

Assistant Secretary, Cabinet.
(1) With reference to Cabinet 25 (20), Conclusion 1, the Conference had before them a Memorandum by the President of the Board of Trade (Papers C.P.-1336) proposing that the control of the wholesale price and the retail price of coal should be abolished, with the object of making the consumer pay a proper economic price for coal, and of allowing distribution to flow back, as far as possible, into its pre-war channels.

It was explained to the Conference that the initiative of the coal trade had been very largely destroyed by the control imposed during the War. Neither coal-owners, merchants nor retailers were interested in the quality of the coal produced, and laid the blame for the inferior quality on the Coal Controller. The proposal to de-control wholesale and retail prices flowed naturally from the decision which had already been taken by the Cabinet to de-control distribution. If this proposal were adopted, there would only remain the control over exports and the control over the pit's mouth price. The regulation of home prices would then be left (apart from the control over the pit's mouth price) to the operation of the Profiteering Act. The standard of profit allowed under the Acts which at present affected the coal trade would give an adequate guide to Profiteering Committees, while many merchants would be in a position to supply at a lower price than those Acts allowed. It was true that, owing to the shortage of coal, it might be feared that certain purchasers, for instance, prosperous manufacturers, would offer a premium for coal if the present control over prices were relaxed, but it was confidently expected that the coal trade themselves would co-operate to prevent any such action. At the present time the atmosphere in the coal trade was one of co-operation with the Government. For the first time since the imposition of control, both owners and merchants were working with the Government in the policy of
de-control. The Coal Supply Committees would still operate, and would be able to control coal merchants whom they supplied. The merchants had voluntarily undertaken to impose control on their own dealings, and a recent meeting of 2,000 coal merchants had given enthusiastic support to the policy of the Government. The merchants realised that any suspicion of profiteering or of favouritism in the allocation of supplies would be fatal to de-control and would lead to a demand for municipal trading in coal and eventually to the extinction of their own business.

Some discussion took place as to the effect on the trade of the country of the continued restrictions on the export of coal. It was pointed out that in 1913 British exports amounted to 75,000,000 tons, whereas in the present year they were expected to amount to some 50,000,000 tons, of which 9,000,000 would be allocated to France, 4,000,000 to Italy, and only 7,000,000 to other countries. The result would be that ships would leave this country empty, and imports — particularly imports of food — would have to bear the cost of a double freight. It was therefore suggested that it would be better now to check the present feverish industrial activity by relaxing the restrictions on the export of coal than to subsidise industry generally at the expense of the coal trade and, incidentally, of importers in this country. A decrease in industrial activity was inevitable, and the sooner it came the better. At present wages were being forced up from day to day, and manufacturers were willing to pay any price for labour, since they knew that they could well afford it. Then business became more slack the country would be left with a huge liability in wages. This liability could, at any rate, be decreased by allowing a freer export of coal.

In reply, it was pointed out that the slackening of industrial activity had already begun. While manufacturers
had sufficient orders to carry them over the next few months, the business community were agreed that the peak of industrial activity had been reached in April, and that such activity was now on the downward grade. It was not desirable to accelerate this tendency by increasing exports of coal, particularly as it was economically more paying to export finished and semi-finished goods than goods such as coal, which underwent no manufacturing processes.

The Conference accordingly agreed --

To accept the proposals set forth in the Memorandum by the President of the Board of Trade (Paper C.P. 124), viz., that the present control of wholesale and retail prices of coal should be abolished, but that the pit's mouth price should remain under control.
With reference to Cabinet 25(20), Conclusion II of May 6th, 1920, the Conference had before them a joint memorandum by the President of the Board of Trade and the Minister of Transport (C.P.1362) regarding the decontrol of inland distribution of coal. The memorandum pointed out that in order to ensure supplies of coal for home requirements exports had recently been curtailed. In consequence coal from South Wales and the north-east coast of England had been diverted inland instead of being exported. The diverted coal had been taken by the Railways and it was suggested that this procedure, which would release some 60,000 tons of coal per week from midland collieries for industrial, public utility, and household purposes inland, should be continued. This would, however, throw upon the Railway Companies a heavy financial burden since they would be compelled to purchase coal at a higher price and haul it for longer distances. The increased burden, which was estimated at £2,000,000 per annum should not, it was suggested, be accepted by the Railways or not transferred by them to the public, but should be made out of the pool resulting from the financial arrangements between the Coal Mines Department and the Coal Owners.

The Conference were informed that at the present time sufficient coal was not being raised inland to supply both the Railways and inland consumers. The restriction on the export of South Wales and Northumberland and Durham coal had relieved the scarcity due to the diminished output of coal as compared with the pre-war output, but this restriction in itself was not sufficient since it was necessary to control the buying operations of the Railways and inland consumers. For instance purchasers in the north of England could not be allowed to buy coal from South Wales since the transport of coal from South Wales to the north would result in hopeless confusion on the railways. It was therefore proposed to deal with the matter by making a comprehensive arrangement with the railway companies whereby these companies would purchase the coal from South Wales and Northumberland and Durham.
Attention was drawn to the fact that, whereas the revenue on profits from the export of coal was not received until a considerable time after the exports took place, the proposed expenditure of £2,000,000 would take place at once; so that in effect the Treasury would be called on to finance the present transaction for something like a year. The financial position of the coal industry was that some £12,000,000 to £15,000,000 had been written off as a dead loss, and that some £15,000,000 would be required to meet the advance in wages to the miners. The Treasury could not, therefore, finance the present proposals for a year. The proposed expenditure of £2,000,000 was, in effect, a subsidy to manufacturers, since the arrangement would enable manufacturers to buy coal at a cheaper rate than would be possible if the railway companies were allowed to compete in a free market.

On the other hand, emphasis was laid on the hopeless confusion on the railways which would result from allowing both railway companies and other purchasers to buy coal in an unrestricted market. The proposed subsidy of £2,000,000 was only a necessary corollary of the restriction on the export of coal.

After some discussion as to the effect of removing all restrictions, both on the sale abroad and the coal in this country of British coal, the Conference agreed —

(a) To approve the proposals set forth in the Joint Memorandum by the President of the Board of Trade and the Minister of Transport (Paper C.P. 1562), to the effect that the increased cost of ensuring supplies in the Midland area should be met out of the pool resulting from the financial arrangements between the Coal Mines Department and the coal-owners:

(b) That the President of the Board of Trade should use every endeavour to accelerate the payment of sums due to the Exchequer from the sale of export coal, in order that the Exchequer might, so far as possible, be relieved from the burden of financing the proposed expenditure of £2,000,000.
With reference to Cabinet 29 (20), Conclusion 7, and Cabinet 22 (20), Conclusion 2 (at which it was decided that the subsidy to coastal shipping should terminate in the middle of May and that the Shipping Controller should call a Conference of the shipowners concerned and communicate this decision to them), the Conference had before them a Joint Memorandum by the President of the Board of Trade and the Shipping Controller (Paper C.P.-1199) reporting the result of a Conference which they had held with the shipping owners concerned in the coasting trade. The shipowners had stated that if the coastal subsidy scheme were withdrawn without any steps being taken to deal with competitive railway rates, it would be impossible for shipowners to continue the present coastal services; but that if the exceptional railway rates referred to in the Report of the Ministry of Transport Rates Advisory Committee (C.M.525, 1919, page 7, (C) Rates affected by competition by Water) were withdrawn, the coasting services could be continued without the subsidy.

It was explained that the coastal subsidy had been started at a time when the railways were greatly congested and railway rates were at pre-war figures, in order to bring back shipping to the coasting trade and so relieve congestion, the deficit being paid by the Exchequer. Since then, railway rates had been put up, and the congestion also had been relieved.

The Cabinet, at their meeting on April 29th, had decided that the coastal subsidy should cease, and had suggested that coastal shipowners might be reminded of the powers of control which the Shipping Ministry still possessed.

The Conference were informed that, in view of the improved position on the railways, the Ministry of Transport was now prepared to carry the traffic if the coastal shipowners failed to do so. There was general agreement in the Conference that the shipping subsidy should cease. On behalf of the Ministry of Shipping, however, the view was
expressed that the cessation must be accompanied by a revision of the exceptional railway rates which had been deliberately fixed before the War to compete with coastal shipping. It was represented that otherwise the coastal shipping trade would be ruined. On the other hand, it was stated that the revision proposed would require a prolonged enquiry into many thousands of rates, and could not be completed for some considerable time, and that the profits made in the coastal shipping trade during the last two years were such that it was not correct to state that the business could not be carried on without a subsidy. It was pointed out, however, that if the competitive railway rates were unremunerative to the railways, the traffic would be carried at the expense of the community, and it would be unfair to withdraw the coastal subsidy while indirectly subsidising the railway companies in this way. Doubts were expressed whether the railway traffic in question was remunerative or not.

The Conference agreed —

(a) That the decision of the Cabinet that the coastal subsidy should cease should be confirmed;

(b) To request the Minister of Transport to enquire whether the special rates on traffic which was in competition with coastal shipping were in fact remunerative, and should report thereon to the Cabinet.
The Conference took note of the following Memoranda, which had been circulated to the Cabinet, regarding the present tendency of wages:


Memorandum by the Minister of Labour (Paper C.P.-1253).

Whitehall Gardens, S.W.1,

June 3, 1920.
Conclusions of a Conference of Ministers held in Mr. Bonar Law's Room, House of Commons, S.W. on Thursday, 3rd June, 1920 at 5.30 p.m.

PRESENT.

(In the Chair).


The Right Hon. J. Addison, M.P., Minister of Health.

The Right Hon. Sir Robert Horne, M.B.E., President, Board of Education.

The following were also present:—

Right Hon. Sir Gordon Hewart, M.P., Attorney-General. (Minutes 1 and 2.)

Right Hon. Sir H. Pollock, K.C., M.P., Solicitor-General. (for Minute 1.)

Right Hon. Sir A. Mond, Bart., First Commissioner of Works. (Minute 2.)

S. Kerr (for Minute 1.).

Mancel Sir H. P.A. Hankey, G.C.B. .................................. Secretary.

Thomas Jones .......................................................... Principal Assistant Secretary.

Mancel L. Storr, C.B. ............................................... Assistant Secretary.

F. B. Boworth .......................................................... Assistant Secretary.
The Chancellor of the Exchequer said that, in course of the conversation with M. Krassin at 10, Downing Street, the previous Monday, M. Krassin had made a proposal that Russian gold should form the basis of the resumption of trade with his country. This proposal, however, raised somewhat complicated questions, the chief difficulty in the matter lying in the fact that M. Krassin and his colleagues could not show an absolutely secure title to this gold.

Mr. Chamberlain said he had accordingly circulated to his colleagues that afternoon a Paper prepared in the Treasury on the subject. The view held by his Department was that gold held by the Bolsheviks could not be made the basis of credits in the same way as gold to which an absolutely good title could be shown, and the Bank of England would almost certainly refuse to accept and pay for such gold. It was, however, an essential part of the gold policy which we had adopted that all gold should, for the present, be sold to the Bank of England, and the surplus gold of the Joint Stock Banks had been handed over to the Bank in accordance with this policy. Mr. Chamberlain said he wished to raise another point, which had not been touched upon in the Treasury Paper. There was a certain amount of gold belonging to Roumania, now lying in Moscow. When Roumania came into the War we guaranteed this gold to her, but when she made Peace we withdrew this guarantee, but we substituted for it a promise that we would use our good offices to have it returned to her in the course of time. This supplied another reason why we should not touch the Russian gold. Some of the most important people in the City were convinced that, if Russian gold were shipped to this country, a large number of claims would at once be taken to the Law Courts by private creditors of Russia.

The Opinion of the Law Officers, on the other hand (See Appendix II), which was based upon the hypothesis that this gold was the property of the Russian Government, was that no foreign Government, past or present, is amenable to...
any form of process in the English Courts, and there did not appear to be any legal method by which creditors of the former Russian Government could either establish their claims, or enforce them against property alleged to belong to that Government.

A general discussion followed, in the course of which the view was expressed that a common-sense policy would be to get some firm or firms to act on behalf of the British Government, in which case the difficulties apprehended by the Treasury would not arise. It was suggested that Russian gold should not be shipped to England, but might be deposited with a neutral Government, and that the Government should give the Bank of England credit for it. If it was deposited, say, in Copenhagen, and held for the benefit of British trade with Russia, it could not be attached. In regard to this suggestion it was pointed out that it was hardly becoming for His Majesty's Government to base trade transactions upon gold deposited in a neutral country.

Reference was then made to a statement which had appeared in several newspapers to the effect that commodities from England were not to be paid for in gold, but by barter in goods. This statement, it was explained, was almost certainly inspired from Paris. The French claimed preferential rights in any assets which might be in the hands of the Bolsheviks, and they were considerably disturbed at the course they understood the negotiations with M. Krassin to be taking. They did not wish themselves to have any commerce with the Bolsheviks, and at the same time they resented the idea that we should be re-starting our trade and reaping the principal benefits by being the first in the field.

There was general agreement that it was highly important to get trade with Russia re-started as soon as possible. The Cabinet had been informed that morning by the President of the Board of Trade that British trade was inclined to sag and it was essential to open up new channels of business.
On the other hand, it would be very damaging to Great Britain politically if she alone were to resume commercial relations with the Bolsheviks. There was no doubt that Italy was very anxious indeed to reopen her trade with Russia.

In this connection the Secretary of State for Foreign Affairs stated that he had sounded informally the Japanese and Italian Chargés d'Affaires on the subject of their Governments being represented in the negotiations now proceeding with M. Krassin. Both these officials had replied that they must refer the question to their Governments. Lord Curzon suggested that perhaps it might be advisable for him to sound the American Ambassador as to the views of the Washington Government.

It was explained that the "Barter Association" of the United States had been negotiating with M. Krassin in respect of railway material and rolling stock for Estonia, for which Russia had been prepared to deposit £1,000,000 in England and another £1,000,000 in the United States. The idea had been that the United States should supply the material through us. The Americans, however, would not touch the transaction.

It was agreed that the moral advantage of the presence of Allied representatives at the conversations with M. Krassin would be very considerable.

As regards the suggestion that trade with Russia should be carried on not by the British Government but through private traders, it was stated that such traders would certainly not be prepared to do any business unless they were assured that the gold to pay for the commodities supplied by them would be shipped to this country and would not be attached on arrival here. If an assurance could be given that the gold on reaching England could not be attached either by the British Government or by other British creditors, there would certainly be keen competition among business men to reopen trade. As an alternative to shipping gold to England, it was suggested that traders should have letters of credit on
neutral banks in which the gold might be deposited; their interests would thus be safeguarded, as those banks would make no payment until the goods were actually shipped.

The Attorney-General then re-stated the view of the Law Officers, that gold which was the property of a de facto foreign Government were not officially recognised. The Russian Government could not be attached, even if that Government had undoubtedly requisitioned or acquired in some way this gold, but even if they had not a secure title to it he did not see how litigation could be initiated to lay hands upon it.

Some doubt was expressed as to whether the Bolshevist Government would be disposed to acknowledge their indebtedness to certain British subjects who had invested in railway shares and various bonds issued or guaranteed by the old Russian government or whose property had been seized or nationalised by the Bolshevists. It was stated that Mr. Peters, of the Overseas Trade Department, was of opinion that M. Krassin could be induced to make some acknowledgment of this indebtedness, and that it was the unanimous view of business men in the City that an essential preliminary to the resumption of trade was that the Soviet Government should recognise their obligations. It was suggested that, in the next conversation with M. Krassin, he should be asked to obtain from his Government some assurance in respect of this. In this connection it was pointed out that it was desirable that the British Government should make it clear that we also recognised the obligations of Russia to the French. It was agreed that it was most unfortunate that there should be any difference of opinion with our Allies respecting the renewal of trade relations. It was explained that the attitude of the French Government was that all that had been decided at San Remo was that trade relations should be resumed with the Soviets; but the French felt that we were going beyond this, as our meetings with M. Krassin were not confined to experts but were attended by diplomats, and that questions of policy, as apart from trade, were discussed. It was desirable to remove with the least possible delay any source of friction.
and misunderstanding with the French, and it was suggested that, as it was impossible for the two Prime Ministers to meet and have a frank discussion, it might be advisable that Mr Lloyd George should send a personal communication to M. Millerand, explaining exactly our position, and once more inviting French co-operation. The object of the conversations with M. Krassin was to discover what impediments existed in the resumption of trade, and the best way of removing these impediments. The difference between ourselves and the French was partly due to this, that they envisaged commercial obstacles only, whereas we perceived political obstacles. Directly, however, the French took part in these conversations, whether by a diplomatic representative or by purely technical experts, they were bound to be confronted sooner or later with identical difficulties with ourselves. The French resentment at the line we were taking was partly due to their belief that the British Ministers had met M. Krassin without waiting for the reply of the French Government to the communication we had made to them on the subject. This, of course, was not true.

Reference was then made to the following stipulations which had been made by M. Krassin at the conversation on the previous Monday:

"Commercial representatives must have the right and the practical facilities freely to communicate with their own and other countries by post, telegraph and wireless, by means of cypher, with preferential rights over the correspondence of private persons. .... The work of commercial representatives absolutely required that documents, passports, powers-of-attorney, agreements, etc., signed or confirmed by the official authorities of one country should be recognised as legally valid in the other country, since no transactions are possible without the fulfilment of this condition. It was equally necessary to have the right to vindicate one's interests in the Courts."

It was pointed out that M. Krassin and his colleagues could hardly be expected to be accorded complete ambassadorial privileges, and it was suggested that these stipulations should be carefully examined by the Foreign Office and the
Some further discussion followed, in the course of which it was explained that the country principally interested in the resumption of trade with Russia was Great Britain, because of her enormous Imperial and commercial interests there. Italy came next, chiefly because of her shortage of food. France, on the other hand, was not so closely concerned, and the French doubted whether they stood to gain much by such resumption, and were inclined to think that they even stood to lose a good deal.

It was generally agreed —

(a) That it was highly important for the British Empire that trade with Russia should be resumed with as little delay as possible;

(b) That Russian gold would at the outset have to form the basis of this trade, and that the Board of Trade should take up this question in consultation with the Treasury, with special reference to the question of permitting gold to be shipped to this country;

(c) That it was desirable that business should be resumed by private traders, and that the British Government should not be directly concerned in the matter;

(d) That it would be preferable that Great Britain should not stand alone in re-starting trade with the Soviets, and that endeavours must be made to induce our Allies to participate. In view of this, the Secretary of State for Foreign Affairs should endeavour to secure the attendance of the Italian Ambassador, or other representative of the Italian Government at any rate, and of the Japanese Ambassador, if possible, when the Conversation with M. Krassin was resumed;

(e) As regards the various stipulations submitted by M. Krassin (see Appendix to Conversation held at 10, Downing Street, on May 31st) relating to commercial representation and the grant of privileges and immunities to the representatives, the Board of Trade and Foreign Office should consider jointly what reply should be made to M. Krassin's proposals;

(f) That the next Conversation with M. Krassin should take place at 10, Downing Street, on Monday next, June 7, 1920, at 5:30 p.m.:
(g) That at the next meeting with M. Krassin the latter should be asked to ascertain whether or not the Soviet Government were prepared to recognise any obligations on their part in respect of such foreign debts as might have been incurred under the old regime, and also in respect of claims arising from nationalisation of property of foreigners under the present regime. The Board of Trade should prepare a statement which the Prime Minister could make to M. Krassin on this subject.

(h) That Mr. E.F. Wise should be responsible for collecting the materials from the Departments concerned, for a comprehensive statement to be made by the Prime Minister at the meeting with M. Krassin on the following Monday afternoon.

It was stated that the Soviet Delegation in England had raised the question of sweeping the minefields outside Petrograd, and had enquired whether this should be done by the British or Russian minesweepers.

It was agreed that the work, if carried out by the Russian Soviet Government, would probably be most inefficiently done, and it was decided:—

To refer the matter to the Admiralty, who should be asked to communicate their views to the Prime Minister before the meeting on Monday afternoon.
(2). The Conference and before them a Memorandum by
the Minister of Health (C.P.1374) relative to the
question of the extension to shops and business premises
of the principles contained in the Rent (Restriction)
Bill. It was explained that the Home Affairs Committee
had decided to confine the Bill to dwelling houses
following the recommendation of Lord Salisbury's
Committee. It was, however, certain that an effort
would be made in the House of Commons to extend the
principles of the Bill to shops and business premises,
since the tenants of such premises were suffering
from similar grievances to those of the small house­
holder. While it was true that the business man can
as a rule recoup himself from his customers for any
additional charges imposed by his landlord there was at
the present time a wide spread feeling that the tenants
of business premises had legitimate grievances for
which some solution should be found and that the
Government policy on the matter should be announced.

The Minister of Health proposed that the very
intricate and controversial question involved should
be referred for examination to a Select Committee of
the House of Commons and that the Landlord and
Tenant Bill drafted for the Ministry of Reconstruction
in 1918 should be read a second time and referred to
that Committee or to a Joint Committee of the two
Houses. To meet the immediate difficulty it was
proposed that pending the report of the Select Committees
the tenancy of all business premises (and perhaps of
all dwelling houses not covered in the Bill) expiring
on and after (say) 26th March last should be extended
or 26th June next
upon the same terms and conditions as the expiring
tenancy for a
period ending on December 25th, 1921, subject -

(a) to an increase of rent not exceeding 50\% of
the rent reserved by the expiring tenancy, and

(b) to an appeal to the Court (defined as in
subsection 30(3) of the Housing Act 1919) who might
determine the tenancy "on the ground that
the landlord requires possession of the
property in order to carry out some scheme
of reconstruction or improvement, desirable
in the public interest" subject possibly
to the payment of compensation for loss of
goodwill, etc.

It was generally agreed that while the
necessities of the case had forced the Government
to pass legislation protecting the small householder
the whole principle of the Rent Restriction legislation
was vicious, economically unsound and was responsible
to a substantial degree for the present housing
difficulties. To extend the principles of this
legislation to shops and business premises would
bring the dead hand of the State on to the commercial
life of the community and would tend to paralyse trade
and business. The general feeling was that if the
position was carefully explained to the House of
Commons there was very little risk of the House
carrying amendments extending the principle of the
Bill. With regard to the proposed temporary expedient
it was pointed out if machinery was once set up for
fixing rents it would be most difficult to go back on
that procedure.

The attention of the Conference was drawn to the
very real permanent grievance suffered by the tenants
of business premises. For example, a tenant may be
forced to take a 14 years' lease. He then proceeds
to create a valuable goodwill and at the expiration
of the tenancy the landlord takes advantage of the
position to exact excessive terms for the renewal
...the tenancy. On the other hand it was pointed out where local authorities were in a position to make street improvements the leasehold shop keeper was apt to make very exorbitant claims in respect of interference with his frontage.

Ultimately, the Conference agreed:

1. That the Government should oppose any extension of the principles of the Rent (Restriction) Bill to shops or business premises;

2. That a Select Committee of the House of Commons should be set up to consider the grievance referred to in the last paragraph and that the terms of reference of that Committee should be drafted by the Minister of Health and submitted in due course to the Home Affairs Committee for consideration.

Whitehall Gardens, S.W.1.
June 3rd, 1920.
APPENDIX I

RESUMPTION OF TRADE WITH RUSSIA.

RUSSIAN GOLD.

Note by the Chancellor of the Exchequer covering Memorandum by Mr. B. F. Blackett.

I circulate a Note by the Controller of Finance on this subject. It seems to me both wrong and impracticable to make this gold the basis of trade with Russia.

(Initialled) A. C.

Treasury, S.T.L.
2nd June, 1920.

Memorandum by Mr. B. F. Blackett.

With reference to C.P. 1349, 1342 and 1369 on the resumption of trade with Russia, the proposal that Russian gold should be imported into this country direct or from Estonia or should be used as the basis of credits in this country, raises somewhat complicated questions, and I wish to set forth briefly the main considerations regarding the matter from the point of view of the financial situation in this country.

The chief difficulty in the matter lies in the fact that A. Krassin and his colleagues cannot show an absolutely secure title to this gold. There can be no doubt that looking at the matter broadly it represents stolen property so long as the Bolshevik Government is unrecognised. It is not certain whether or not the creditors of Russia in this country could effectively embargo such gold or obtain an injunction from the Courts to prevent it being dealt with. But it is known that many of the most important people in the City have been advised that such proceedings might be successful, and that the moment any Russian gold arrives, they will attempt to establish their claim to it. The Bank of England is a large holder of frozen Russian Bills (as agent for the British
government) and it would be sound to protect its interests (and ours) by following suit as soon as other creditors tried to embargo the gold. It follows that such gold cannot properly be made the basis of credits in the same way as gold to which an absolutely good title can be shown; and what is of more immediate importance, it follows that the Bank of England will refuse to accept and pay for such gold. It is however an essential part of the gold policy which we have adopted, that all gold should for the present at any rate be sold to the Bank of England. The surplus gold of the Joint Stock Banks has now been handed over to the Bank of England in accordance with this policy. In short, we feel bound to discourage M. Krassin from making payment or obtaining credit with this gold, until he can show an absolutely safe title to it and until it can safely be taken by the Bank of England.

It should be explained that the proposal in paragraph 1 of C.P. 1349 that the gold might be located in a neutral state and credits opened in respect of it in this country, is open to just as strong financial objections as the import of gold into this country. Under this scheme banks would open credits against gold abroad, which we deprecate in any case, and in particular when it is gold which could not safely be brought to this country.

As regards the machinery by means of which we can discourage the use of this gold, although the import of gold is not in any way restricted, we have two effective weapons:

1. Few prudent bankers will accept Russian gold without some form of indemnity or promise of support from us.

2. The gold cannot be re-exported without licence so that its price is the home price of 85s. a fine ounce instead of the world price of 106s.
If this main objection cannot be overcome (and the only obvious way to overcome it is to grant de facto recognition to the Bolshevik Government in some form or other) there remains the further difficulty that the Treasury and the Bank of England are strongly opposed to granting re-export licences to casual imports of gold. Contracts have been made with South and West Africa and the Congo for the shipment to this country of the whole of their output, and any decision to grant re-export licences for casual imports of gold would go far to influence the producers to terminate these contracts. In addition, it would be almost impossible to exercise effective control over "casual" gold exported under licence.

Gold anywhere in Northern Europe finds extraordinary physical difficulty in getting away except to or through London, so that the refusal of an export licence is a very effective weapon. The Governor of the Bank holds that if we continue to refuse casual licences for export the gold must ultimately come here at the Mint price (85s. per fine oz.). If other difficulties are disposed of some arrangement must doubtless be made to meet the difficulty as to export licences. Probably the most advantageous would be to insist on the gold being sold to the British Government at a price somewhere between the Mint price and the market price, and if we so choose we are probably in a position to dictate the price.

But it is obvious that until the legal title of the Bolshevik Government is established beyond doubt, no one is safe in dealing with the gold at all.

(Intld.) B.P.B.

Treasury, S.W.
3rd June 1920.
The Prime Minister desires to be advised whether creditors of the former Russian Government would be entitled to attach gold which might be sent to this country either by the Soviet Government or by its agents.

(a) If the gold were placed on deposit with banks in this country against which credits would be opened by the Russian Co-operative Societies, or some agents of the Soviet Government, for payment of purchases to be made.

(b) If the gold were handed over to a vendor in payment of goods still to be delivered or so handed over in payment of an existing debt.

It is said that some of the gold is in the form of bar gold marked in such a way as to be identifiable as the property of the former Russian Government.

Advice is also sought whether, if the gold were deposited in a foreign bank and that bank opened credits in London, the credits so opened could be attached by creditors of the former Russian Government.

29th May, 1920.

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OPINION.

In our opinion all these questions are to be answered in the negative. No foreign Government, past or present, is amenable to any form of process in the English Courts, and we do not think that there is any legal method by which creditors of the former Russian Government could either establish their claims or enforce them against property alleged to belong to that Government.

(Initialled) G. H.

(Initialled) E. H. P.