CABINET 31 (31).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on THURSDAY, June 4th, 1931, at 10.30 a.m.

AGENDA.

1. CHINA. EXTRATERRITORIALITY NEGOTIATIONS.

(Reference Cabinet 30 (31) Conclusion 3).

Memorandum by the Secretary of State for Foreign Affairs.
(C.P. 138 (31) — already circulated).

2. AGRICULTURAL POLICY.

(Reference Cabinet 27 (31) Conclusion 9).

(i) The Home Wheat Quota Scheme.

Interim Report of Agricultural Development Committee.
(C.P. 52 (31) — already circulated).

Memorandum by the Chancellor of the Exchequer.
(C.P. 89 (31) — already circulated).

Memorandum by the Minister of Agriculture and Fisheries on Agricultural Depression in South-East Yorkshire.
(C.P. 35 (31) — already circulated).

Note by the Secretary covering two Memoranda to the Prime Minister by Government supporters representing agricultural constituencies.
(C.P. 112 (31) — already circulated).

Despatch from H.M. Ambassador at Berlin.
(C.P. 133 (31) — already circulated).

(ii) Dominion Wheat Quota Scheme.

(C.P. 107 (31) — already circulated).

Memorandum by the Secretary of State for Dominion Affairs.
(C.P. 139 (31) — already circulated).

Mitchell Gardens, S.W.1. (Sgd.) M.R.A. HANKEY, Secretary, Cabinet.

3rd June, 1931.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1, on THURSDAY, June 4th, 1931, at 10.30 a.m.

PRESENT:

The Right Hon. J. Ramsay MacDonald, M.P., Prime Minister. (In the Chair).

The Right Hon.
Philip Snowden, M.P., Chancellor of the Exchequer.

The Right Hon.
J.H. Thomas, M.P., Secretary of State for Dominion Affairs.

The Right Hon.

The Right Hon.
J.R. Clynes, M.P., Secretary of State for Home Affairs.

The Right Hon.
Tom Shaw, C.B.E., M.P., Secretary of State for War.

The Right Hon.
Arthur Greenwood, M.P., Minister of Health.

The Right Hon.
Christopher Addison, M.P., Minister of Agriculture and Fisheries.

The Right Hon.
W. Graham, M.P., President of the Board of Trade.

The Right Hon.
William Adamson, M.P., Secretary of State for Scotland.

The Right Hon.
Herbert Morrison, M.P., Minister of Transport.

The Right Hon.
Arthur Henderson, M.P., Secretary of State for Foreign Affairs.

The Right Hon.
Lord Passfield, Secretary of State for the Colonies.

The Right Hon.
Lord Sankey, G.B.E., Lord Chancellor.

The Right Hon.
W. Wedgwood Benn, D.S.O., D.F.C., M.I., Secretary of State for India.

The Right Hon.
Lord Amulree, G.B.E., K.C., Secretary of State for Air.

The Right Hon.
Margaret Bondfield, M.P., Minister of Labour.

The Right Hon.
H.S. Lees-Smith, M.P., President of the Board of Education.

The Right Hon.

The Right Hon.
George Lansbury, M.P., First Commissioner of Works.

The Right Hon.

1. The Secretary of State for Foreign Affairs invited his colleagues to give careful attention to the telegrams circulated from Egypt. The Opposition had been making attacks on the Government and to some extent on the British High Commissioner, but there were signs of a movement towards reconciliation and interesting developments might take place.
2. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-138 (31)) reporting the position of the negotiations with the Chinese Government for the abolition of extraterritoriality, which had now reached a crucial point. The whole Treaty had now been negotiated, with the exception of two points, namely, (a) duration and (b) reserved areas. As the British Minister at Peking had reported that it is futile to expect that the Chinese will ever sign a Treaty if it is to be perpetual, agreement was now being sought for a Treaty of ten years' duration, after which the Chinese, if they so desire, would be at liberty to terminate it. The Secretary of State for Foreign Affairs advised that it would be wise to accept the time limits of ten years for the duration of the Treaty as a whole, with five years for the special arrangements relating to Special Courts and Legal Counsellors, together with perpetuity for the most-favoured-nation treatment described in Article 18 of the Treaty, whereby British subjects would enjoy in perpetuity "all exemptions from Chinese jurisdiction which may be enjoyed by the nationals of any other country and shall be subjected to no discriminatory treatment in respect of taxation, judicial or any other matters for which this Treaty provides, as compared with the nationals of any other country". The point still in dispute with regard to the reserved areas was whether British subjects in these areas are to pass automatically under Chinese jurisdiction after a fixed period, or whether the transfer of jurisdiction should take place only in accordance with special arrangements agreed to after due negotiations. Sir Miles Lampson
had secured an offer of the exclusion of Greater Shanghai for ten years, after which British subjects would automatically pass under Chinese jurisdiction. Arguments against accepting a fixed time limit for the exclusion of Shanghai from the operation of the Treaty had been fully expounded in a telegram to Sir Miles Lampson. The leaders of the Shanghai community, the Consul-General at Shanghai and Sir Miles Lampson were agreed that the Chinese offer should be accepted as it stands. Judge Feetham, on the other hand, held the view that was put to Sir Miles Lampson in detail by the Foreign Office telegram, namely, that a fixed time limit ties a rope round the neck of the Settlement. In the view of the Secretary of State for Foreign Affairs, exclusion for a period of ten years, in spite of the obvious objections to a fixed time limit, was the most favourable settlement that we could hope to secure. As the Chinese Minister for Foreign Affairs had made it plain that he was not in a position actually to sign the Treaty at this moment but was ready to agree on the text as between himself and Sir Miles Lampson for the consideration of the two Governments, the suggestion of the Secretary of State for Foreign Affairs was that Sir Miles Lampson should be authorised to exchange letters with Dr. Wang agreeing as between themselves on the text of the Treaty as negotiated, and reserving it for confirmation by the Chinese Government and His Majesty’s Government.

The Memorandum summarised above had been before the Cabinet at the Meeting on the previous day, referred to in the margin, and had been reserved for consideration when the Prime Minister was present.
In the course of the discussion the Secretary of State for India said he wished to draw attention to one matter of detail. He understood that under the new arrangements British citizens would be tried in a Chinese Court, but according to English law. In Sinkiang, however, Indians (of whom there were considerable numbers) were dealt with according to Indian law. He hoped that arrangements might be made for them to be dealt with in the future also according to Indian and not English law.

The Secretary of State for Foreign Affairs invited the Secretary of State for India to communicate with him on the subject.

The Cabinet agreed —

That Sir Miles Lampson should be authorised to exchange letters with Dr. Wang agreeing as between themselves on the text of the Treaty as negotiated and reserving it for confirmation by the Chinese Government and His Majesty's Government.
3. The Cabinet had before them the following documents relating to the Home Wheat Quota Scheme:

An Interim Report of the Agricultural Development Committee (C.P.-52 (31));

A Memorandum by the Chancellor of the Exchequer (C.P.-89 (31));

A Memorandum by the Minister of Agriculture and Fisheries on Agricultural Depression in South-East Yorkshire (C.P.-95 (31));

A Note by the Secretary covering two Memoranda to the Prime Minister by Government supporters representing agricultural constituencies (C.P.-112 (31));

A Despatch from His Majesty's Ambassador at Berlin (C.P.-133 (31)).

All the above had been before the Cabinet at the previous Meeting, except the last-named, which had been circulated by the Secretary of State for Foreign Affairs at the request of the Lord President of the Council.

The Prime Minister made a verbal report to the Cabinet on the results of enquiries he had made as to the agricultural position in Scotland, where he had seen a number of representative farmers. All had agreed that tariffs would not provide a cure and that they would tend to drive a wedge between the agricultural interests and the national interests as represented by towns. All had agreed that agriculture in Scotland was in a parlous position. Instances had been given of farmers who were losing money heavily and whose position had become precarious. Labour was being discharged on a large scale and many labourers were houseless. Those whom he had consulted had agreed that the situation was urgent and that it centred round cereal farming. His information was that a wheat quota did not meet the needs of Scotland, but that they would like to have a barley quota in addition, not necessarily involving a fixed price.
The Secretary of State for Scotland said his information was that the Scottish farmers desired a quota both for wheat and barley.

The Prime Minister then explained the political position in relation to a quota. The Leader of the Conservative Party had announced a policy of a quota on wheat with a fixed price, the difference between the fixed price and the world price being made up by the Treasury so as to obviate any increase in the cost of living. The plan before the Cabinet, under which the difference in price would be passed on to the consumer, would be an awkward one to defend against the above alternative. In any event, however, it was very doubtful if the Government could rely on sufficient support, either from its own Party or from the Liberals, to ensure carrying the policy of the quota without the votes of their opponents.

The trend of the discussion which followed may be summed up as follows:

(1) There is not a sufficient measure of agreement at the present time on the policy of a wheat quota, either in the Cabinet itself or among those Members of Parliament on whose support the Government normally rely, to justify its adoption as the main feature of the Government's cereal policy:

(2) Up to the present time, apart from the Quota Scheme no practicable step has been laid before the Cabinet for putting cereal-growing in this country on an economic foundation, and some wider basis than cereal-growing must be sought for overcoming the present unsatisfactory state of agriculture:

(3) One of the most hopeful directions for advance appears to lie in the direction of developing and stimulating by suitable organisation the home cultivation of various forms of agricultural produce which at present are mainly imported from overseas, such as meat, poultry, eggs, butter, cheese, vegetables, fruit, etc. Such a policy, it was felt, would be a logical and consistent development of the Agricultural Policy of the Government as announced by the
Chancellor of the Exchequer in the House of Commons on August 1, 1950, the first stages of which are incorporated in the Agricultural Marketing Bill and the Agricultural Land (Utilisation) Bill:

(4) Means should be studied for effecting a transition, to such extent as may be found feasible, from cereal growing to more profitable forms of agriculture. It was recognised that the transition must necessarily occupy some considerable time.

(5) Any special assistance to the agricultural industry should be associated with added security for the standards of life of the agricultural worker.

The Cabinet agreed --

(a) That the Minister of Agriculture and Fisheries and the Secretary of State for Scotland, with the assistance of Officials of their respective Departments and in communication with the Treasury as far as necessary, should prepare plans to encourage and stimulate the transfer, as rapidly as may be feasible from an economic point of view, of agricultural effort from the cultivation of cereals to other forms of produce in all cases where this was likely to be profitable, as well as for helping cereal areas in the meantime in any way that may be politically acceptable:

(b) That the Chancellor of the Exchequer, the First Lord of the Admiralty, the President of the Board of Trade and the Lord Privy Seal should be available, either individually or collectively, to confer with or assist the Minister of Agriculture and Fisheries and/or the Secretary of State for Scotland in connection with the preparation of the above plans.
AGRICULTURAL POLICY.

The Dominion Wheat Quota Scheme.

(Previous Reference: Cabinet 27 (31), Conclusion 9.)

F.R. 73(30)

4. The Cabinet had before them the following documents relating to the Dominion Wheat Quota Scheme:

- The Second Report of the Ottawa Conference Committee (C.P.-107 (31)):
  
- A Memorandum by the Secretary of State for Dominion Affairs (C.P.-139 (31)).

The subject was not raised at the Cabinet Meeting as the Secretary of State for Dominion Affairs had stated at the Cabinet Meeting on the previous day that the Ottawa Conference had been postponed.
UNEMPLOYMENT INSURANCE FUND.

(Previous Reference: Cabinet 29 (31), Conclusion 14.)

5. The Prime Minister recalled that before the Recess a Cabinet Committee, composed as follows -

- The Secretary of State for War,
- The Minister of Labour,
- The Minister of Health,
- The Financial Secretary to the Treasury -

all of whom would be in or near London, had been appointed at the Meeting referred to in the margin to make a preliminary survey of the Interim Report of the Royal Commission on Unemployment Insurance and to advise the Cabinet as to the procedure they should adopt. Then that Committee was appointed it had been on the assumption that the Report would probably be published during the Recess and that it would deal mainly with the question of abuses. It was now known that the Interim Report (which would be circulated to the Cabinet either the same evening or early on the following morning) was of a much more formidable character, covering a large part of the question of Unemployment Insurance. In the circumstances he thought it would be wise to add other members to the Cabinet Committee.

The Cabinet agreed —

That the following should be added to the Cabinet Committee:—

- The Secretary of State for Foreign Affairs,
- The Secretary of State for Dominion Affairs,
- The Lord Privy Seal.

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