Meeting of the Cabinet to be held at 10 Downing Street, S.W.1., on WEDNESDAY, 14th December, 1932, at 11.0 a.m.

ADDENDA TO THE AGENDA.

(i) Add the following new Item:

1. A. DISCUSSIONS ON MANCHURIA AT GENEVA.

(Reference Cabinet 64 (32), Conclusion 4).

Memorandum by the Secretary of State for Foreign Affairs.
(C.P. 404(32) - already circulated).

Memorandum by the Secretary of State for Foreign Affairs.
(C.P. 431(32) - circulated herewith).

(ii) Add the undermentioned Paper to Item 4:

INDIA: ROUND TABLE CONFERENCE: PREVENTION OF COMMERCIAL DISCRIMINATION.

Memorandum by the President of the Board of Trade
(C.P. 432 (32) - to be circulated).

NOTE. Owing to the Meeting of the Cabinet which has taken place this morning, the number of the above Meeting now becomes 67 (32) and not 66 (32).

(Signed) M.P.A. HANKEY,
Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.
13th December, 1932.
Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 14th December, 1932, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS. - If required.

2. REDUCTION AND LIMITATION OF ARMAMENTS. - If required.
   (Reference Cabinet 64(32), Conclusion 5).

3. RELATIONS WITH PERSIA.
   (Reference Cabinet 65(32), Conclusion 3).
   (a) Protection of the South Persian Oilfields.
       Report by the Chiefs of Staff Sub-Committee.
       (C.P. 430(32) - to be circulated).
   (b) To take note of:
       Emergency Arrangements.
       Note by the Secretary.
       (C.P. 427(32) - already circulated).

4. INDIA: ROUND TABLE CONFERENCE: PREVENTION OF COMMERCIAL DISCRIMINATION.
   Memorandum by the Secretary of State for India.
   (C.P. 424(32) - already circulated).

5. BURMA: PRESENT POSITION WITH REGARD TO SEPARATION.
   (Reference Cabinet 1(32), Conclusion 2).
   Memorandum by the Secretary of State for India.
   (C.P. 423(32) - to be circulated).

6. LANE-FOX BACON REPORT: LONG TERM AGRICULTURAL POLICY.
   (Reference Cabinet 55 (32), Conclusion 8).
   Joint Memorandum by the Minister of Agriculture and Fisheries, the President of the Board of Trade, the Home Secretary, and the Secretary of State for Scotland.
   (C.P. 429(32) - to be circulated).
7. SKY-WRITING.

(Reference Cabinet 64(32), Conclusion 2).
Memorandum by the Home Secretary.
(C.F. 407(32) - already circulated).

8. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

(13th Conclusions (32) - to be circulated).
(1) Housing (Financial Provisions) (Scotland) Bill.
(Reference Cabinet 64(32), Conclusion 7).
Memorandum by the Secretary of State for Scotland, covering draft Bill.
(H.A. 43(32) - already circulated).

(II) Pharmacy and Poisons Bill.
Memorandum by the Home Secretary, covering draft Bill.
(H.A. 42(32) - already circulated).

TO TAKE NOTE OF:

9. SITUATION IN INDIA.

(Reference Cabinet 65(32), Conclusion 10).
Note by the Secretary of State for India covering Reports by Local Governments.
(C.F. 426(32) - to be circulated).

(Signed) M.P.A. HANKEY,
Secretary to the Cabinet.

2 Whitehall Gardens, S.W.1.
12th December, 1932.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on WEDNESDAY, December 14th, 1932, at 11.0 a.m.

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

The Right Hon. Stanley Baldwin, M.P.,
Lord President of the Council.

The Right Hon. Sir John Gilmour, Bt., D.S.O., M.P., Secretary of State for Home Affairs.

The Right Hon. The Viscount Hailsham, G.C.M.G., G.B.E., M.P., Secretary of State for War.

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

The Most Hon. The Marquess of Londonderry, K.G., M.V.O., Secretary of State for Air.


Major The Right Hon. Walter Elliot, M.C., M.P., Minister of Agriculture and Fisheries.

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

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

The Right Hon. Sir Samuel Hoare, Bt., G.B.E., C.M.G., M.P., Secretary of State for India.


The Right Hon. Sir Godfrey Collins, K.B.E., K.G., M.V.O., Secretary of State for Scotland.

The Right Hon. Walter Runciman, M.P., President of the Board of Trade.

The Right Hon. Lord Irwin, K.C., G.C.S.I., C.I.E., President of the Board of Education.

The Right Hon. Sir Henry Betterton, Bt., G.B.E., M.P., Minister of Labour.

Present for Conclusions 1 to 4 only.

1. The Prime Minister informed his colleagues that he had had a telephone conversation that morning with the Secretary of State for Foreign Affairs, at Geneva. In consequence of the fall of the French Government he had asked the Secretary of State to return at once, and he would be back in London this evening. The Prime Minister had not thought it advisable to send out the Parliamentary Under-Secretary of State, and he said that Mr Codogan, to whose work he paid a warm tribute, would do his best to carry on. Soon he hoped, however, that the League itself might adjourn the various questions in which we were interested.
2. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-451 (32)) giving an account of the discussions on Manchuria at Geneva, which had followed very much the course that he had anticipated in his earlier Memorandum (C.P.-404 (32)) of November 19th. The Secretary of State pointed out that the question was now reaching the critical stages. He could not formulate questions for the Cabinet to answer at the moment, but would be grateful for any advice and guidance. He added "I am more and more impressed with the feeling that the Manchurian question is going to give us, both at Geneva and at home, a great deal of trouble before it is disposed of".

The Prime Minister said that in his conversation with the Secretary of State for Foreign Affairs that morning he had learned that the Sub-Committee of the Committee of Nineteen, appointed to draft a Resolution, had got so far as to have arrived at a first draft, which had been produced mainly by the Secretary of State for Foreign Affairs, with Mr Cadogan's assistance. In this draft, conciliation was proposed first. Sir John Simon had told the Sub-Committee that he must insist on this, and had succeeded in bringing them some distance towards that point of view. There was to be a further meeting today.
The Cabinet had before them the following documents relating to the threat to the Anglo-Persian Oil Company:-

A Report by the Chiefs of Staff Subcommittee (C.P. 430(32)) as promised in their Interim Report (C.P. 419(32)) that had been before the Cabinet at the meeting referred to in the margin. This Report dealt with the concerted Naval, Military and Air action which might be necessary for the Local Defence of the Anglo-Persian Oil Company's property in South Persia if the situation deteriorated, and the Persian Government showed signs of military action for the seizure of the oil wells. In a covering note to the detailed Report, which had been prepared under their instructions by the Joint Planning Subcommittee, the Chiefs of Staff pointed out that the Report did not deal with the possibility of a sudden coup-de-main on Abadan by the Persian military forces at Ahwaz. The only measure which would be taken in anticipation of such a contingency would be the strengthening of the available naval forces by ordering H.M.S. Enterprise and H.M.S. Emerald from India to the head of the Gulf. This was a matter for His Majesty's Government to decide.

A Memorandum by the Permanent Under-Secretary of State for Foreign Affairs (C.P. 428 (32)) as to the action to be taken on the Persian Government's reply, which was annexed to the Memorandum. The Persian Government, after stating their grievances against the Company and the grounds on which they considered themselves entitled to cancel the Persian Oil Company's concession, said that in their opinion the Optional Clause does not cover the circumstances of this particular case: and they concluded by intimating their intention themselves to bring the matter before the Council of the League, on the ground of the "threats and pressure which have been directed against" Persia by this country. Should the Persian Government adopt this course Persia would automatically acquire the right to demand the suspension of any proceedings instituted before the Permanent Court in consequence of a reservation which she had made in accepting the Optional Clause. In these circumstances the Foreign Office recommended that His Majesty's Government should, if possible, forestall the Persian Government by taking the initiative in having the matter referred to the Council of the League under Article XV of the Covenant.
A Note by the Secretary to the Cabinet notifying an interim decision by the Lord President of the Council that if any matter should arise in connection with Persian affairs requiring immediate consideration, it should be referred at once to the Middle East Organisation.

A suggestion was made that it might have been better if the Cabinet had decided in the first instance to refer the matter to the Council of the League of Nations under Article XV. The Cabinet were reminded, however, of the circumstances in which their previous decision had been taken. It had been considered essential to prevent Persia from following up their cancellation of the Anglo-Persian Oil Company's concession by occupying the oilfields. Consequently it had been decided that, if the Law Officers of the Crown had no legal objection to this course, an appeal should be made to the Court of International Justice at The Hague, and that at the same time an Interlocutory Judgment should be obtained to forestall action by the Persian Government against the oilfields. Now it transpired that if either party to the dispute went to the Council first the case would be outside the jurisdiction of the Hague Court. Consequently the Foreign Office now proposed that we should take the initiative in referring the question to the Council under Article XV, in which case, if the matter could not be dealt with immediately, the Council would be asked to take steps to ensure the maintenance of the status quo on the oilfields pending a settlement.

The Cabinet felt that this was the right course.

The question was raised as to whether this decision could be announced in answer to a Private Notice Question the same afternoon. The Cabinet felt that this was a matter which must be left for decision after consultation with the Foreign Office. It was
inadvisable to make any announcement which might enable the Persian Government to forestall us at Geneva. It might be better, therefore, to refer the matter to Geneva with the least possible delay, and make the announcement immediately after.

In regard to the Report by the Chiefs of Staff Sub-Committee, the Cabinet considered that at the present moment it would be inadvisable to make any movements of our Naval forces beyond those which were being carried out according to programme, and that in these circumstances H.M.S. ENTERPRISE and H.M.S. EMERALD should not be moved to the head of the Gulf.

It was pointed out to the Cabinet that the Report by the Chiefs of Staff Committee had only dealt very briefly, in paragraphs 35 and 36, with the measures that would be required if it was eventually found necessary to occupy the oilfields area against Persian opposition, and the question was raised as to whether this contingency, which it was hoped was very remote, ought to be explored in greater detail.

The Cabinet were reminded that operations of such a nature, involving two or three Divisions, would, in the present state of our mobilisation arrangements, require the expenditure of considerable sums of money. It was felt that at the moment it would suffice if the Secretary of State for War would inform the Chief of the Imperial General Staff that the matter had been raised at the Cabinet and that he should keep the whole subject under close observation.

The Cabinet realised that the whole question required to be kept under the most careful scrutiny, more particularly owing to the possibility that the Russian Soviet Government were instigating the Persians in this matter.
The Prime Minister said that he proposed to ask the Secretary of State for Foreign Affairs, on his return, to give his personal attention to this dispute.

The Cabinet agreed —

(a) To approve the proposals of the Permanent Under-Secretary of State for Foreign Affairs, as set forth in C.P.-428 (32) and summarised above, for an immediate reference of the dispute with Persia to the Council of the League of Nations under Article XV of the Covenant, the Persian Government being informed at the same time that we were doing so:

(b) That the Foreign Office should advise the Prime Minister as to the earliest moment at which an announcement of this decision could safely be made in Parliament:

(c) To take note of the further Report of the Chiefs of Staff Sub-Committee (C.P.-430 (32)):

(d) That at the present moment it would be inadvisable, from a political point of view, to make any emergency movements of H.M. Ships to the head of the Persian Gulf, and that no orders to that effect should be given to H.M.S. ENTERPRISE and H.M.S. EMERALD, but that the Admiralty should keep in close touch with the Foreign Office on this question:

(e) That the Secretary of State for War should invite the Chief of the Imperial General Staff to keep in close touch with the situation in Persia, in case it should become necessary to study in closer detail the contingencies referred to in paragraphs 35 and 36 of the Report by the Chiefs of Staff Sub-Committee:

(f) To approve the emergency arrangements made provisionally by the Lord President of the Council, as set forth in C.P.-427 (32), that if any matter should arise in connection with Persian affairs requiring immediate consideration it should be considered at once by the Middle East Organisation.
4. The Cabinet had before them the following documents relating to the provision to be made in the Indian Constitution against Commercial and Shipping Discrimination:

A most secret Memorandum by the Secretary of State for India (C.P. 484(32)), setting forth alternative Clauses on which a difference of opinion had arisen between on the one side, the Foreign Office, Dominions Office, the Colonial Office and the Board of Trade and on the other side, the India Office, Sir Claud Schuster and Sir Maurice Gwyer. The pros and cons of the question were set forth in detail in Memoranda attached to the Secretary of State's Memorandum. In the first alternative it was proposed to take powers so as to provide protection for the commercial and financial interests of the Dominions and Colonies as well as of the United Kingdom. In the second alternative of the United Kingdom only.

A Memorandum by the President of the Board of Trade (C.P. 482(32)), asking the Cabinet to take certain decisions for the protection of British shipping against discrimination.

The Secretary of State for India informed the Cabinet that his full intention was to provide for the protection of British shipping against discrimination, and he was advised that this was already provided for in the draft Constitution. He was prepared, however, that this subject should be discussed inter-departmentally in order to ensure that the President of the Board of Trade's requirements in this respect were met.

After the arguments on both sides of the main question had been stated by the Secretary of State for India, the Secretary of State for Dominion Affairs, the Secretary of State for the Colonies and the Lord Chancellor in detail, the Secretary of State for War said he had been impressed with the difficulty of doing what the Foreign Office, Dominions Office, Colonial Office and Board of Trade desired. It is true that under alternative (1) if a Dominion or Colony put Indian subjects at a
disadvantage within their own territory, India would have the right to discriminate in the same way against British subjects domiciled in that Dominion or Colony. That, however, was not quite what India required. For example, supposing South Africa or Kenya were to discriminate, as in fact they did, against Indians residing there in considerable numbers it would be of no use to India to have the power of exercising similar discrimination against South Africans or residents of Kenya in India, the number of whom is very small. What India required was to be able to adopt some other kind of discrimination which would induce South Africa not to discriminate against Indians. That was the reason for the compromise that he had suggested, and which was referred to in C.P. 424(32), though he realised the objections of that particular plan.

In the course of further discussion it transpired that the difficulties of India arose almost entirely with South Africa and Kenya Colony.

The Secretary of State for the Colonies suggested the possibility that provision might be made to enable Dominions and Colonies to adhere by special agreement to the arrangements made between the United Kingdom and India to avoid commercial and shipping discrimination. At first sight he was inclined to think that any Colony that did not discriminate against India might be permitted to adhere.

The President of the Board of Education said that, if this suggestion meant provisions by which accompanying and correlative agreements should be capable of being made between India and the Dominions or Colonies, he was satisfied, but what was essential was that such agreements should be freely entered into by India, and that we should not try to place a limitation upon India when we are unable
to secure for her in Dominions or Colonies the equivalent advantage which the limitation ought to carry, and which India would have a right to expect.

The Secretary of State for India said that at first sight he was attracted by the proposal by the Secretary of State for the Colonies, but before committing himself he would like to discuss the matter with his experts.

The Cabinet agreed:

(a) To take note that British shipping was intended and believed to be covered by the reciprocity arrangement and that if it was not steps should be taken to cover it:

(b) That the Secretary of State for India should consider the proposal that provision should be made in the Indian Constitution to enable a Dominion or Colony to adhere by mutual agreement to the arrangements made for the avoidance of commercial discrimination by India against the United Kingdom, and that, if necessary, the subject should be discussed by the Cabinet Committee.

(The Prime Minister, who was indisposed, left the cabinet at this point).
5. The Cabinet had before them a Memorandum by the Secretary of State for India (C.P.-423 (32)) giving the present position with regard to the separation of Burma from India. The result of the recent election, which gave a large majority to the anti-separationists, had come as a complete surprise not only to the Government but also to Burman political leaders, whether separationists or anti-separationists. Explanations were given with some detail to show the electoral devices by which this had been brought about, largely under the inspiration of the Indian Congress. The position was summarised as follows:

"To put the position as summarily as possible, the people of Burma have been asked to choose between two clearly stated alternatives. Of the four main parties into which their representatives fall, only one, and that the least representative, is prepared definitely to choose either of these two alternatives. The other three all wish to choose something — each something different from the other — which is not offered. There is, indeed, a fifth group — the 6 or 7 who posed as neutrals in the election: they are Indians and would certainly vote for unconditional entry into the Indian Federation; but they do not represent Burman feeling at all, but only the feeling of Indians in Burma."

Thus the result of the recent election in Burma had given no indication of the desire of the people of Burma, and so long as it was uncertain whether or not Burma was to become a unit of the Indian Federation it was impossible to conclude the task of filling in the details of the Indian Federal Constitution. Unless, therefore, progress with the Indian Constitution was held up by intrinsic difficulties, it would become necessary to reach a decision within a month or so on the question of the inclusion or exclusion of Burma; and if the Burmans could not make the decision themselves it would eventually become the
duty of the British Government to make it, which, for various reasons, would be a most dangerous proceeding in the immediate future. In the Secretary of State's view the only course open appeared to be to wait for as long as we could afford to wait, and to use every endeavour to educate the members of the new Council and the people of Burma in what direction their interests really lay.

The Secretary of State for India reported that the new President of the Legislative Council in Rangoon had been removed from Office on the ground that he had not acted impartially when ruling out/at the previous day's meeting, when the question of the Separation of Burma came up for discussion. It was impossible for him to make any forecast as to what was going to happen in Burma.

The Cabinet took note of the Secretary of State's Memorandum and statement.
C. The Cabinet had before them a Joint Memorandum by the Minister of Agriculture and Fisheries, the President of the Board of Trade, the Home Secretary and the Secretary of State for Scotland (C.P. 429 (32)) on the Lane-Fox Bacon Report and Long-Term Agricultural Policy. The conclusions to which the Cabinet was asked to assent may be summed up as follows:-

(a) The regulation of imports as an integral part of the Government's agricultural policy is justified —

(i) where it appears to be essential for the effective working of a scheme for re-organising a branch of the agricultural industry (as in the case of bacon); and

(ii) where it is necessary to avert an economic crisis (as at the present moment in the case of meat) (Para. 5).

(b) It is necessary to take corresponding power to regulate the home output (Para. 6).

(c) The precise form which this power should take in the case of Northern Ireland will require further consideration (Para. 6).

(d) Legislation on these lines should include a provision for the appointment of a Standing Committee to watch over the working of supply regulation, to help in the elaboration of a continuous policy, and to advise Ministers as to the best method of carrying it out. (Para. 7).

(e) Provisional approval should be given to a Bill attached to the Memorandum (Appendix "A") so that Parliamentary Counsel may proceed with the preparation of a draft Bill on these lines for submission to the Home Affairs Committee. (Para. 8).

(f) The Minister of Agriculture and Fisheries should be authorised to make at an early date an announcement that the Government accept the recommendations of the Lane-Fox Commission in principle; i.e., that they are prepared to take whatever steps are necessary to establish a re-organised bacon industry on a firm footing, to provide for its expansion.
within reasonable limits, and to regulate imports, by arrangement or otherwise, so far as may be requisite for the purpose. (Para. 9).

The Minister of Agriculture and Fisheries informed the Cabinet that his memorandum (C.P. 429(32)) had been initialled by the colleagues mentioned at the head of this Minute for purposes of circulation and not as expressing concurrence in all his proposals.

The President of the Board of Trade agreed in this and expressed some doubts as to the wisdom of superseding the automatic regulation of markets by regulations savouring of State socialism.

After some discussion the Cabinet agreed:

(a) Without committing the Cabinet at all on the question of principle, that the Minister of Agriculture should be authorised to prepare a Bill on the lines of the draft heads attached to his memorandum (C.P. 429(32)); that is to say, making provision for the importation not of particular agricultural products but ad omnia. The Cabinet after seeing the Bill could then decide whether the provision should be ad omnia or for specific commodities.

(b) That the Minister of Agriculture and Fisheries should be authorised to make at an early date an announcement that the Government accept the recommendations of the Lane-Fox Commission in principle; i.e. that they are prepared to take whatever steps are necessary to establish a re-organised bacon industry on a firm footing, to provide for its expansion within reasonable limits, and to regulate imports, by arrangement or otherwise, so far as may be requisite for the purpose.
7. The Cabinet had before them a Memorandum by the Home Secretary (C.P.-407 (32)) on the subject of Sky Writing and Sky Shouting, which is summarised in Conclusion 2 of Cabinet 64 (32).

The Home Secretary informed the Cabinet that the Committee of the Industry had been formed and would be meeting shortly. This could not be prevented.

In the absence of the Prime Minister, the Cabinet adjourned the question until a later Meeting.
8. The Cabinet had before them a Memorandum by the Secretary of State for Scotland (H.A.-43 (32)) covering the draft Housing (Financial Provisions) (Scotland) Bill, together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 15th Conclusions (32), Para.1):-

To authorise the introduction forthwith in the House of Commons of the Housing (Financial Provisions) (Scotland) Bill in the form of the draft annexed to H.A.-43 (32), subject to any drafting or other minor alterations which may be found necessary or desirable.

The Cabinet approved the above recommendation.
9. The Cabinet had before them a Memorandum by the Home Secretary (H.A.-42 (32)) covering a draft Pharmacy and Poisons Bill, together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 13th Conclusions (32), Para.2):

To authorise the introduction in the House of Lords of the Pharmacy and Poisons Bill in the form of the draft annexed to H.A.-42 (32), subject to any drafting or other minor alterations that may be found necessary or desirable.

The Cabinet approved the above recommendation.
10. The Lord President of the Council informed the Cabinet that he had arranged that the Attorney-General should undertake responsibility for the two Parliament Act (1911) Amendment Bills. When the first Bill came before the House on Friday the following amendment would be moved from the Conservative side:

"That this House declines to give a Second Reading to a Bill which would alter the position of Mr Speaker with regard to the existing privileges of this House until such time as a comprehensive measure of reforming the House of Lords can be introduced by the Government of the day".

The Cabinet agreed —

That the Attorney-General should support this Motion, while taking the utmost care to give no undertaking that the Government either would or would not introduce a measure for the reform of the House of Lords.
11. The Cabinet took note of Weekly Reports by Local Governments on the Political Situation in India, circulated for the information of his colleagues by the Secretary of State for India (C.P.-426 (32)).
12. The Home Secretary said that he had received a Deputation, introduced by General Spears and composed of 220 Members of Parliament, asking that car passes might be issued to M.P.'s. He had consulted the Speaker of the House of Commons, who did not approve of the proposal. The Government Whips were unanimously opposed to it. He had written to the Prime Minister on the subject. He thought that the next step would be to inform General Spears that he had considered the proposal and that he could not approve it.

The Cabinet approved of this course.
13. Arising out of the public interest in, and the Debate in the House of Lords on, the proposed re-building of No.4 Carlton Gardens and the proposal to re-build Carlton House Terrace, the Minister of Agriculture and Fisheries made a statement on the subject to the Cabinet, in the course of which he raised the question of the desirability of some change in the Government responsibility for the administration of Crown Lands.

The Cabinet agreed —

That a Cabinet Committee, composed as follows —

The Minister of Agriculture and Fisheries (in the Chair),
The Secretary of State for Home Affairs,
The Secretary of State for Air,
The First Commissioner of Works,
The Financial Secretary to the Treasury —

should meet as soon as possible and report to the Cabinet at their next Meeting, if possible, as to —

(i) The Government responsibility for the administration of Crown Lands;

(ii) The proposed re-building of Carlton Gardens and Carlton House Terrace.

2, Whitehall Gardens, S.W.1,

December 14, 1932.