Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 22nd February, 1933, at 11.0 a.m.

AGENDA.

1. THE FAR EAST AND GENEVA.
   Memorandum by the Secretary of State for Foreign Affairs, with draft Report of The Committee of Nineteen attached.
   (C.P. 42(33) - already circulated).

2. OTHER FOREIGN AFFAIRS. - (If required).

3. REDUCTION AND LIMITATION OF ARMAMENTS. - (If required).
   (Reference Cabinet 9(33), Conclusion 4).

4. INDIAN CONSTITUTION: THE JOINT SELECT COMMITTEE.
   (Reference Cabinet 66(32), Conclusion 1).
   Memorandum by the Secretary of State for India.
   (C.P. 39(33) - already circulated).

5. FUTURE RESPONSIBILITY FOR ADEN.
   Memorandum by the Secretary of State for India.
   (C.P. 37(33) - already circulated).
   Memorandum by the Secretary of State for Air.
   (C.P. 40(33) - already circulated).

6. THE NAVY: CONDITIONS OF RE-ENGAGEMENT.
   Memorandum by the First Lord of the Admiralty.
   (C.P. 33(33) - already circulated).

7. AGRICULTURAL MARKETING BILL.
   (Reference Cabinet 67(32), Conclusion 6).
   Memorandum by the Minister of Agriculture and Fisheries, covering draft Bill.
   (C.P. 38(33) - already circulated).

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8. FINANCIAL POLICY AND TRADE ACTIVITY.

(Reference Cabinet 46(32), Conclusion 12).

Note by the Secretary covering letter addressed to the Prime Minister by the Committee on Economic Information of the Economic Advisory Council.
(C.P. 34(33) - already circulated).

TO TAKE NOTE OF:

9. THE SEVERN BARRAGE SCHEME.

Note by the Secretary covering Report of a Committee of the Economic Advisory Council.
(C.P. 35(33) - already circulated).

10. INTERNATIONAL CONVENTION ON HOURS OF WORK IN COAL MINES.

(Reference Cabinet 9(33), Conclusion 5).

Memorandum by the President of the Board of Trade.
(C.P. 41(33) - already circulated).

(Signed) H.P.A. HANKEY,
Secretary to the Cabinet.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on WEDNESDAY, February 22nd, 1933, at 11.0 a.m.

PRESENT:

The Right Hon. J. Ramsay MacDonald, M.P.,
Prime Minister.

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.B.E., M.P., Secretary of State for War.

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


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

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

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. 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.


1. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-42 (33)) entitled "The Far East and Geneva", to which was attached a copy of the Draft Report of the Committee of Nineteen on the Chino-Japanese dispute. The part of the Report to which the Secretary of State called the special attention of the Cabinet was Part IV, which contained recommendations.

The Parliamentary Under-Secretary was returning to Geneva with the intention of expressing the acceptance by His Majesty's Government of the Report as it stood, and the Secretary of State wished to be assured that the attitude of the Foreign Office in this respect was approved. At the end of the Memorandum some broad reflections were submitted as to possible future developments in regard to which decisions would have to be taken by the Cabinet. These included:— (1) No resort to sanctions under Article XVI; (2) The probability that the Government will shortly be challenged as to whether they would prohibit the export of arms and munitions of war to Japan if all the other countries producing or dealing in armaments did the same; (3) The probable resignation of Japan from the League.

The Secretary of State for Foreign Affairs asked for a decision by the Cabinet on the question of sanctions under Article XVI of the Covenant, and on the export of arms and munitions of war to the warring countries.

On the question of applying sanctions to Japan there was general agreement with the Secretary of State's view that we must dissociate ourselves from any such proposal. In reply to a question as to how
this could be presented to the public, the Secretary of State pointed out that this was a matter on which every country had to be the judge as to how far it could put Article XVI into operation. We should have to state that we had no intention of doing so on this occasion. It was pointed out that there might be pressure from some of the smaller Powers, but there was general agreement that the Naval Powers would have to be the judge on this issue.

In connection with the export of war material to China and Japan, the Secretary of State for Foreign Affairs drew special attention to the Resolution by the Executive Committee of the League of Nations Union, attached as an Appendix to his Memorandum, and to evidence that there was likely to be a sustained demand in the House of Commons against allowing the export of war material to Japan. On the other hand, he pointed out the difficulties that would arise if Japan were to stop a British ship carrying arms to China, and to the possibility that Japan might even declare a blockade of China. He was informed that in taking such action Japan would put herself wrong with International law unless there was a formal declaration of war. Neither party, however, was likely to desire a formal declaration of war: Japan because she preferred to characterise her action as punitive operations, and China because she wished to avoid a blockade.

In the course of the discussion the suggestion was made that we should ask other nations to agree to supply arms to neither side, and that,
irrespective of others, we might announce that this was our intention. It was pointed out, however, that this course would not stop hostilities and would not vindicate the attitude of the League, since it would hit China harder than Japan. The only result would be to arouse the irritation of both contestants because they were not allowed to place contracts here. Moreover, the orders would be placed in foreign industry instead of here.

The Cabinet agreed —

(a) To approve that the representative of the United Kingdom at the Assembly of the League should be authorised to accept, on behalf of His Majesty's Government, the Draft Report of the Committee of Nineteen on the Chino-Japanese dispute:

(b) To approve the proposal of the Secretary of State for Foreign Affairs that there must be no resort to economic or other sanctions under Article XVI of the Covenant, and that at any rate we must, if necessary, dissociate ourselves from any such proposal:

(c) That the Government's attitude towards the question of the supply of war material to China and Japan should be considered in the first instance by the Ministerial Committee on Disarmament, which had already arranged to meet the same afternoon at 4 p.m., and subsequently at a Special Meeting of the Cabinet at 7.30 p.m.

(NOTE: The Secretary was instructed to arrange that, in the absence of the President of the Board of Trade, the Permanent Secretary to the Board of Trade should be available at the Meeting of the Ministerial Committee on Disarmament.)
2. The Prime Minister asked his colleagues to note that if any Minister should have occasion to pay a visit to the Capital of a foreign country he should normally give ample notice of his visit both to the Foreign Office and to the Ambassador, and call upon the latter soon after arrival. This was especially important if he wished to see any Minister in the Government of the country concerned.

Ministers at the head of Departments were asked to notify Under-Secretaries accordingly.

The above procedure, of course, does not apply to passage through a foreign Capital on the way to other destinations.
3. The Cabinet had before them a Memorandum by the Secretary of State for India (C.R.-39 (33)) asking the approval of his colleagues to certain proposals as to the size of the Joint Select Committee on the Indian Constitution and the number and status of the Indians who are to participate in its work. His own suggestion was that the strength of the Committee should be about 20, 10 from the Lords (including the Chairman) and 10 from the Commons, and that the number of Indian participants (who would not actually be members of the Committee or be entitled to sign any Report) should be on a basis of 15, 10 from British India and 5 from the States. Attached to the Memorandum was an Appendix reproducing various pronouncements which have been made from time to time regarding the Joint Select Committee and the participation of Indians.

While realising that the Secretary of State might find it impossible to limit the strength of the Committee to the numbers mentioned above, the Cabinet approved his proposals and agreed —

That every effort should be made to get the Joint Select Committee on the Indian Constitution set up before the Easter Recess.
4. The Cabinet had before them the following documents on the question of the Future Responsibility for Aden:

(Previous Reference: Cabinet 66 (26), Conclusion 4.)

A Memorandum by the Secretary of State for India (C.P.-37 (33)) in which, after briefly indicating the present position in regard to Aden, he asked his colleagues to decide the following questions:

(i) Whether, in their view, the balance of advantage rests with the separation of Aden from India:

and

(ii) Whether, if so, the Secretary of State might inform the Government of India that, in the event of their agreeing to separation, His Majesty's Government will be prepared to relieve them of the contribution at present paid by them towards military and political expenditure at Aden:

In paragraph 12 of his Memorandum he called attention to the following recommendations of the Committee of Imperial Defence in 1923:

"(1) That as Aden is an essential fuelling station on the Imperial lines of communication to the Far East, it is of greater general strategic importance to the Empire than to India. It has also a strategic importance with regard to the Suez Canal, Somaliland and Arabia, and is the site of an important wireless telegraph station.

(2) That so far as strategical considerations, as set out in (1) above, are concerned, it would be advisable for the administrative responsibility for Aden to rest with the Imperial Government."

(175th Meeting, held on July 23, 1923).

A Memorandum by the Secretary of State for Air (C.P.-40 (33)), commenting on C.P.-37 (33) and replying to the above two questions as follows:
(a) It is essential, on grounds of Imperial strategy, to retain the defence of Aden as a responsibility of the Imperial Government:

(b) I agree that if the loss of any contribution by India is an inevitable consequence of the separation of Aden, then there is no alternative but to accept it.

The First Lord of the Admiralty and the Secretary of State for War expressed verbally their concurrence in the views of the Secretary of State for Air as set forth in C.P.-40 (33).

The Chancellor of the Exchequer shared the view that Aden should be an Imperial rather than an Indian responsibility, and that the implication that India would not in future contribute towards the expense must be accepted.

The Cabinet agreed —

(a) To approve in principle that the balance of advantage rests with the separation of Aden from India, and that His Majesty's Government should be prepared to relieve India of the contribution at present paid by them towards the military and political expenditure there:

(b) That the Government Departments concerned should work out the details.
5. The Cabinet had before them a Most Secret Memorandum by the First Lord of the Admiralty (C.P.-33 (33)) on the subject of Conditions of Re-engagement in the Royal Navy. In this Memorandum the First Lord stated that during the past year there had come to the notice of the Admiralty a great deal of evidence indicating the existence in the Navy of a widespread feeling that certain cuts adopted in the Defence Services in 1931, which were in excess of the general 10 per cent. cut in pay made in order to meet the financial emergency, had unfairly penalised a large number of the men in the Navy — a view which was also generally held by the Flag and Commanding Officers and Officers of the Fleet. After setting forth the grounds on which this feeling was based, the Memorandum stated that, subsequent to the Prime Minister's statement in the House of Commons on September 21, 1931, the Cabinet had ruled that in the case of the Defence Services the Prime Minister's pledge limiting reductions to not more than 10 per cent. should be regarded as applying only to the period of a man's existing engagement. On entering into his second engagement, however, he was required to accept the larger reductions in pay and the lower pension scale which formed part of the original Economy measures. It was this ruling, as applied to the Naval Rating, which appeared to both officers and men to be unfair. The estimated cost of allowing men to retain their 1931 rates of pay, i.e., the 1919 rates less 10 per cent., on re-engagement, would be £26,000 in the financial year 1933, rising in subsequent years to a peak figure of £83,868 in 1939, after which the cost would fall gradually to £5,242 in 1948: the
total cost over the whole 16 years amounting to £809,000. The Admiralty therefore asked permission immediately to issue the orders necessary for the removal of what they strongly felt to be a fair and reasonable cause of a sense of hardship in the Navy.

The Cabinet were informed that the numbers of War Office personnel who re-engaged was small, and the extent to which the War Office would be affected by the adoption of the proposal of the First Lord of the Admiralty would involve very little money. The effect on the Royal Air Force was also reported to present no difficulty. It appeared that neither the Teachers nor the Police were affected. The proposal was, however, criticised on grounds of principle. Some importance was attached to the fact that the men affected had made their proposal through the constitutional channels, and there had as yet been no sign of political pressure being used, in spite of the strong feelings that existed in the Navy on the subject.

The Chancellor of the Exchequer said he would like time to consider the matter further and, if necessary, to submit a Memorandum.

The Cabinet agreed —

That the First Lord of the Admiralty should confer on the subject with the Chancellor of the Exchequer, and, if agreement was not reached within three days, they should bring the question back to the Cabinet.
6. The Cabinet had before them a Memorandum by the Minister of Agriculture and Fisheries (G.P.-38 (33)) covering the draft Agricultural Marketing Bill which the Cabinet, at the Meeting mentioned in the margin, had authorised him to prepare. The Minister asked, if the Cabinet approved the principles involved, for authority to submit the Bill immediately to the Committee of Home Affairs, with a view to its introduction. The Bill, the provisions of which had been discussed with the Ministry of Agriculture and Fisheries, the Board of Trade, the Scottish Office and the Home Office (i.e., as to the provisions relating to Northern Ireland), provided:

(i) (Clause 1) for the regulation of the importation of any agricultural product into the United Kingdom by Order by the Board of Trade if it appears —

(a) that unless the Order is made the reorganisation contemplated by an Agricultural Marketing Scheme for the time being in force cannot be achieved; or

(b) that the Order is necessary to meet an emergency affecting the economic stability of any branch of the agricultural industry in the United Kingdom.

(ii) (Clause 3) for the regulation by Order of sales of home-produced agricultural products;

(iii) (Clause 4) for the appointment of a Market Supply Committee to advise the agricultural Ministers in connection with the discharge of their functions under the Act;

(iv) (Clause 5) for the submission and approval of agricultural development schemes for the purpose of regulating the production of "secondary" products such as bacon and hams;

(v) For certain minor amendments to the Agricultural Marketing Act, 1931.
The Prime Minister informed the Cabinet that the Secretary to the Cabinet had received a letter from the Permanent Secretary to the Board of Trade which stated that that Department was very much concerned with the Bill and that Part I would be mainly operated by the Board of Trade. Moreover, the President of the Board of Trade was stated to hold strong views as to the policy involved. In these circumstances a request had been made that the Cabinet would not arrive at conclusions in the unavoidable absence (through bereavement) of the President of the Board of Trade.

The Minister of Agriculture and Fisheries, while not asking for a decision committing the President of the Board of Trade, hoped that, in view of the urgency of the matter, he might obtain a decision of the Cabinet which could be held up until he had the "All clear" from the President of the Board of Trade.

After a preliminary discussion of the question the Cabinet agreed —

That the question should be postponed for consideration at the next regular weekly Meeting of the Cabinet.
7. The Cabinet had before them copies of a Most Secret letter to the Prime Minister from the Committee on Economic Information of the Economic Advisory Council (C.P.-34 (33)), submitting their views on Financial Policy and Trade Activity, which had been circulated for the information of the Cabinet on the instructions of the Prime Minister.

The Cabinet were informed that the letter before them was based on a misapprehension of the policy of the Ministry of Health, and that some of the assumptions as affecting the economic future were not borne out by the latest information at the disposal of the Government.

The Prime Minister pointed out that there were advantages in obtaining these valuable Reports as to what informed and expert persons outside the Government were thinking, without trammeled by contacts with Government Departments, which would have the disadvantage of making those Departments to some extent responsible.

The Cabinet took note of this statement and of the Report.

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8. The Cabinet had before them the Report of the Severn Barrage Committee of the Economic Advisory Council (C.P.-35 (33)), which had been circulated for their information by direction of the Prime Minister.

The Prime Minister paid a tribute to the very valuable scientific information on which this Report was based. The only objection that had been made to publication was on the ground that it might contain information of assistance to foreigners.

The Cabinet were informed, however, that in hydro-electric matters some foreign countries were ahead of us and that there was no objection from this point of view to publication.

Another objection to publication was that the Report was so optimistic that it would lead to pressure on the Government to proceed with the scheme. The Cabinet were reminded, however, that even if the scheme were approved to-day, no work affecting unemployment would be begun for five years, and the maximum employment would not be reached for ten years. It would be 25 years before electrical current was produced, and then, by reducing the consumption of coal, the scheme would tend to increase unemployment rather than otherwise.

The Cabinet were also reminded that no decision on the scheme could be taken until further investigation had been made of the proposed secondary storage system on the River Wye (Para. 33).

The Cabinet agreed —

(a) That the Report should be published:

(b) That the Prime Minister should consult Lieutenant-Colonel Moore-Brabazon, the Chairman of the
Committee, as to the advisability of allowing further investigation on the question of the secondary storage system.
9. The Prime Minister informed his colleagues that a telegram had been received from Sir Ronald Lindsay and distributed to members of the Cabinet Committee which had been dealing with the question of War Debts. Sir Ronald Lindsay had seen Mr. Roosevelt, but not much progress had been made as yet. It had been a good thing to get into personal contact with the President-Elect, and Sir Ronald was at once to meet Mr. Hull, whose appointment as Secretary of State would be announced almost immediately.
COAL MINES.

International Convention Limiting Hours of Work.

Previous Reference: Cabinet 9 (25), Conclusion 5.

The Cabinet took note of a Memorandum by the President of the Board of Trade (C.P.-41 (33)) explaining why it had been impossible for him to find, as suggested at the previous Meeting of the Cabinet, some point or points on which the Government would have the support both of the Miners' Federation and the Mining Association in urging objections to the ratification of the Draft International Convention on Hours of Work in Coal Mines.
11. The Home Secretary informed the Cabinet that the second Order for Private Members' Bills on Friday, February 24th, was the Local Elections (Proportional Representation) Bill. He took the view that this Bill should be resisted, and this was in accordance with the attitude of previous Governments.

The Cabinet agreed with the Home Secretary that the Bill should be resisted.
18. The Cabinet agreed —

(a) To meet the same evening, Wednesday, February 22nd, in the Prime Minister's Room at the House of Commons, at 7.30 p.m.

(b) To hold their next regular weekly Meeting on Wednesday, March 1st, at 11 a.m., at No. 10, Downing Street.

2, Whitehall Gardens, S.W.1, February 22, 1933.