CABINET 38 (33).

Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 31st May, 1933, at 11.0 a.m.

AGENDA.

1. REDUCTION AND LIMITATION OF ARMAMENTS. - (If required).
   (Reference Cabinet 36(33), Conclusion 5).

2. THE POLICY OF JAPAN.
   (Reference Cabinet 31(33), Conclusion 2).
   Note by the Secretary of State for Foreign Affairs, covering Memorandum by H.M. Ambassador in Tokyo.
   (C.P. 145(33) - circulated herewith).

3. MONETARY AND ECONOMIC CONFERENCE.
   (Reference Cabinet 36(33), Conclusion 7).
   Report by Cabinet Committee, covering draft Resolutions.
   (C.P. 144(33) - already circulated).

4. REPORT OF IMPERIAL COMMITTEE ON ECONOMIC CONSULTATION AND CO-OPERATION.
   Memorandum by the Secretary of State for Dominion Affairs, covering Report.
   (C.P. 141(33) - already circulated).

5. TAXATION IN KENYA.
   (Reference Cabinet 35(32), Conclusion 4).
   Memorandum by the Secretary of State for the Colonies.
   (C.P. 142(33) - circulated herewith).
6. INTERNATIONAL LABOUR CONFERENCE, GENEVA: PROPOSED INSTRUCTIONS TO THE BRITISH GOVERNMENT DELEGATE.

(Reference Cabinet 68(32), Conclusion 9).
Memorandum by the Minister of Labour.
(C.F. 147(33) to be circulated).

7. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

(H.A.C. 7th Conclusions (33) - to be circulated).

(i) Railway and Canal Commission Abolition Bill.
Memorandum by the Lord Chancellor, covering draft Bill.
(H.A. 17(32) - already circulated).

(ii) British Nationality and Status of Aliens Bill.
(Reference Cabinet 27(33), Conclusion 9).
Memorandum by the Home Secretary, the Secretary of State for Foreign Affairs and the Secretary of State for Dominion Affairs, covering draft Bill.
(H.A. 17(33) - already circulated).

(iii) Unemployment Insurance (Expanding Enactments) Bill.
(Reference Cabinet 35(33), Conclusion 7).
Memorandum by the Minister of Labour, covering draft Bill.
(H.A. 15 (33) - already circulated).

(iv) Local Government and Other Officers Superannuation (Temporary Provisions) Bill.
(Reference Cabinet 27(33), Conclusion 11).
Memorandum by the Minister of Health, covering draft Bill.
(H.A. 18 (33) - already circulated).

(v) Sea-Fishing Industry Bill.
(Reference Cabinet 32(33), Conclusion 5(b)).
Memorandum by the Minister of Agriculture and Fisheries and the Secretary of State for Scotland, covering draft Bill.
(H.A. 16(33) - already circulated).

(Signed) R.B. HOWORTH,
Deputy Secretary to the Cabinet.

2 Whitehall Gardens, S.W.1.
29th May, 1933.
MEETING of the Cabinet to be held at 10 Downing Street, S.W.1, on Wednesday, 31st May, 1933, at 11.0 a.m.

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ADDENDA TO THE AGENDA.

(i) Add the following Paper under Item 1.

REDUCTION AND LIMITATION OF ARMAMENTS.

and delete "If required" after this heading.

The Disarmament Conference - Policy of the United Kingdom Delegation.

Memorandum by the Secretary of State for Foreign Affairs.

(C.P. 150 (33) - circulated herewith.)

(ii) Add the undermentioned new Item:

MEASURES WHICH CAN BE TAKEN TO COMPEL OBSERVANCE BY GERMANY OF HER OBLIGATIONS UNDER PART V OF THE TREATY OF VERSAILLES.

Note by the Secretary of State for Foreign Affairs, covering a Memorandum by the Foreign Office.

(C.P. 149 (33) - circulated herewith.)

(Signed) R. E. HOWORTH.

Deputy Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.

30th May, 1933.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on WEDNESDAY, 31st May, 1933, at 11.0 a.m.

PRESENT:-

The Right Hon. Stanley Baldwin, M.P.,
Lord President of the Council. (In the Chair).

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 John Simon, G.C.S.I.,
K.C.V.O.,O.B.E.,K.C.,M.P.,
Secretary of State for Foreign Affairs.

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

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

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

The Right Hon.
Lord Irwin, K.G.,G.C.S.I.,
G.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.
Sir John Gilmour, Bt.,D.S.O.,
M.P., Secretary of State for Home Affairs.

The Right Hon.
The Viscount Hailsham,
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.
Sir Philip Cunliffe-Lister,
G.B.E.,M.C.,M.P., Secretary of State for the Colonies.

The Right Hon.
Sir Edward Hilton Young,

The Right Hon.
Sir Bolton Eyres-Monsell,

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

Major The Right Hon.
W. Ormsby-Gore, M.P.,
First Commissioner of Works.

Sir R.B. Howorth, K.C.M.G.,C.B., ..........Deputy Secretary, Cabinet.
1. The Cabinet were informed by the Chancellor of the Exchequer that the position at the moment regarding the question of the American Debt was very obscure and that he had been unable to extract any definite or reliable information as to the intentions of President Roosevelt. It seemed very probable that the latter had not yet made up his mind as to what course he would pursue. While there were any number of rumours, we were as much in the dark as we had been a month ago. In the Chancellor's opinion the possibility of our being placed in the position of either having to pay the June instalment in full or to default was very remote. He felt sure that President Roosevelt was bound to take some action, but what that action would be and when it would be taken the Chancellor was unable to say.

His Majesty's Ambassador at Washington remained, however, of opinion that all would be right on the day. Sir Ronald Lindsay thought that President Roosevelt intended to keep Congress in the dark until the eleventh hour and then to send them an "informative message" telling them what he proposed to do, without asking for their advice or approval.

On the whole, the Chancellor thought that President Roosevelt was likely to make an offer, and, in doing so, to distinguish in our favour between the offer to us and the offer to France. This need not complicate the situation, as it was clear that France had no intention of paying in any case. It was possible that the President might ask for a "token" payment, and he (the Chancellor) had that morning received from the Prime Minister the draft of a message which the Prime Minister proposed to send to the President arguing against any token
payment. Our policy at the moment should be to continue to press the President for a complete moratorium.

In the absence, however, of anything definite, the Chancellor was not in a position to advise the Cabinet as to the course to be adopted. It was possible that a message might be received from Washington in the next 48 hours, or next week, in which case a Meeting of the Cabinet would be necessary.

General agreement was expressed with the view that any token payment on account of the debt should be deprecated.

The Cabinet took note that a further Meeting of the Cabinet might have to be summoned at short notice in the event of a message being received from President Roosevelt on the American Debt question.
2. With reference to the Conclusion mentioned in the margin, the Cabinet were informed by the Chancellor of the Exchequer that the position in regard to certain financial questions concerning the Government of the Commonwealth of Australia and various Australian States had undergone a change for the better as the result of recent international financial developments. In the circumstances the Australians were now prepared to wait indefinitely before engaging in any important long term conversion operations. It had, however, been found possible as a special concession to arrange for a Commonwealth of Australia short-term Issue for the purpose of converting certain Australian 6½ Per Cent. Loans. This concession had been gratefully accepted by the Australians, and it was now very unlikely that the grave possibilities indicated to the Cabinet on the previous occasion would have to be faced.

The Cabinet took note of this communication.
The Cabinet had under consideration a Memorandum (Paper C.P. 150 (33)) by the Secretary of State for Foreign Affairs, covering Geneva Telegrams Nos. 265, 268, 273, 275, 282 and 283, recently received from the Parliamentary Under Secretary of State.

It was stated in this Memorandum that the situation at Geneva had developed in the last few days into an exceedingly critical one, that the Second Reading of Parts I and II of the Draft Convention was to be taken this week in the hope of completing the Second Reading by the 11th June, that voting would take place on every issue in dispute, and that the immediate decisions of the Cabinet were required on four matters of high political importance, viz: (1) Supervision, (2) Tanks, (3) Air, and (4) No Resort to Force Declaration.

Mr. Eden's telegram No. 265 of May 26th made it clear that there was little chance of a successful Disarmament Convention emerging unless a satisfactory form of supervision could be agreed upon. Both the French and the Americans demanded a more stringent form of control than is contemplated in Article 72 of the draft Convention, which, in effect, provided that the Permanent Disarmament Commission by a large majority can authorise such inspections when it had been formally requested. In the view of the Secretary of State it was vital to discover at once from the French, how far it would be necessary to go to satisfy them, and the
key to the problem appeared to him to be agreement on the establishment of regular routine inspections of armament - a plan which in practice might prove less onerous and more formal than the Article 72 plan. He asked for authority that this proposal should be examined by us along with the French, Americans and others, without prejudice, on the understanding that it could not be agreed to without Cabinet confirmation.

Tanks.

It was now necessary to state our requirements in regard to numbers of tanks, and the number to be allowed in the case of Germany, whether as "samples" or otherwise, under the White Paper equality of treatment principle. The latter proposal will be strongly opposed by the French, and rather less strongly by the Americans, but there is little prospect of Germany agreeing to any Convention unless she gets some satisfaction in this respect.

Air.

Mr. Eden's Telegram No. 282 of the 30th May suggested a formula in substitution for that contained in Article 35 of the draft Convention. The Secretary of State thought that this formula went beyond what had been accepted by the Cabinet, and he suggested that in the last resort, we might agree to the following, which retained the gist of that Article:

"The High Contracting Parties accept from now the principle of total abolition of military and naval aviation subject to the effective supervision of civil aviation to prevent its misuse for military purposes. The Permanent Disarmament Commission shall immediately devote itself to the working out of the best possible scheme with this in view."
Mr. Eden's Telegram No. 273 of the 27th May pointed out that a demand is sure to be made for extension of this declaration to all States, including those outside Europe, and that in view of President Roosevelt's message and the proposition of the Political Commission, we shall have great difficulty in opposing the extension of the declaration to non-European States.

The Secretary of State's Memorandum recalled the conclusions reached against any such extension by the Ministerial Committee on the 17th February last (D.C.(M)(38) 8th Conclusions), and while agreeing that in view of our world-wide responsibility it would be extremely difficult for us to accept any general restriction of the kind contemplated without making it impossible effectively to protect the territories under our control, the Secretary of State asked what arguments should be publicly adopted which would avoid unpleasant criticism and a sense of divergence between President Roosevelt's policy and our own.

The Cabinet discussed in turn each of the four matters raised in C.P.-150 (33).

**SUPERVISION.**

Emphasis was laid on the considerations referred to in Para.1 of the Memorandum, headed "Supervision". The question was, should our representative at Geneva adhere strictly to the policy laid down in Article 72 of the Draft Disarmament Convention, or should he be given some discretion to discuss the whole question with other Delegations, on the understanding that the ultimate decision as to the policy of the United Kingdom must rest with the Cabinet?
It was suggested that before agreeing to enter into any such discussions we ought to find out how far the Americans and the French were prepared to go in the direction of a system of regular routine inspection of armaments. It was also pointed out that the issue now raised was one which had been under discussion for three years and that the policy laid down in Article 72 was that favoured by the Labour Government in 1930, adopted by the present Government in 1932, and confirmed as recently as the 23rd January last by the Ministerial Cabinet Committee (D.C.(M) (32) 7th Conclusions). It was suggested that in this matter we might well resign the leading part to the Americans or to the French, and to place upon them the onus of saying whether they would be prepared to open their arsenals and fortresses to unlimited inspection by the Japanese and the Germans respectively.

The Cabinet were reminded that the Service Departments were fundamentally opposed in principle to any suggestion that there should be regular routine inspections of armaments. Under any such system we should have to expose to the world our grave shortage of war supplies, and we should have to spend many millions in correcting the position in this and other respects.

Attention was also drawn to the serious difficulties involved in inspection, as suggested, of private factories in this country, and to the impossibility of passing the legislation which would be necessary in the absence of any compulsory powers.

After considerable discussion, the Cabinet agreed —

That the answer to the enquiry in telegram No. 265 relative to Supervision should be on the following lines:
"We see no reason on merits to depart from the policy laid down in Article 72 of the Draft Disarmament Convention. We cannot express an opinion on an alternative proposal until we know precisely what it means, and how it is to be carried out. Our plan is clear and complete. Any alternative ought to be equally clearly formulated by its authors before it can be discussed".

TANKS.

The Cabinet were reminded that it would probably be necessary next week for our representative to hand in the United Kingdom figure for Tanks. The German Delegate wished, before putting in the German figure, to discuss the matter with us. Under the principle of equality of treatment, Germany was logically entitled to possess some Tanks. If, however, we adopted this position we should be subject to acute criticism, both at Geneva and at home, as supporting the re-armament of Germany. On the other hand, was it possible to agree that Germany should have no Tanks and the United Kingdom a very large number?

It was suggested that, as in the case of Supervision, so in this case of the German claim for Tanks we should leave the discussion to the Germans, the French and the Americans, and if there seemed any prospect of agreement we should use all our influence to bring an agreement about. So far as the requirements of the United Kingdom were concerned, it was easy to answer any criticism. Our Tanks were merely a substitute for a conscript army.

The Cabinet agreed —

(a) To take note that the Secretary of State for War would furnish the Secretary of State for Foreign Affairs as soon as possible with the figure of H.M. Government's requirements in regard to the number of Tanks to be entered under Article 21 of the draft Convention:
(b) That in regard to Tanks for Germany our representative at Geneva should, so far as possible, leave the discussion of this question to the German, French and American Delegations.

AIR.

The Cabinet were reminded of the suggestion that in the last resort we might propose the substitution of the following formula for paragraph (a) of Article 35 in the draft Convention:

"The High Contracting Parties accept from now the principle of total abolition of military and naval aviation subject to the effective supervision of civil aviation to prevent its misuse for military purposes. The Permanent Disarmament Commission shall immediately devote itself to the working out of the best possible scheme with this in view."

It was pointed out that the Air Ministry took objection to the formula contained in Geneva Telegram No. 83, and that they hoped that the Cabinet would refrain, in the absence at Geneva of the Secretary of State for Air, from reaching any conclusion in regard to this matter.

The Secretary of State for India informed the Cabinet that his Military Adviser took the same view as the Air Ministry on the subject of police bombing within our own territory.

In this connection reference was made to a telegram just received from Geneva stating that the Iraqi Delegate was likely to desert us in regard to the question of bombing from the air. Attention was drawn to the inefficient and unsatisfactory state of the Iraqi army, which made it all the more necessary for us to maintain without reservations the view that the preservation of order in Iraq was our responsibility.

The Cabinet agreed —
(I) That in reply to telegram No. 275 it should be stated that the Cabinet are not prepared to modify the policy in regard to Air armaments set out in Article 35 of the Draft Convention:

(II) That the Under Secretary of State for Foreign Affairs should be invited to confer with the Secretary of State for Air on the formula contained in the Air paragraph on pages 3 & 4 of C.P.-150 (33).

After the Cabinet had reached the above Conclusion the following message was received from the Prime Minister in regard to telegram No. 282:

"This is most binding and will tie us badly. In 1936 we shall not really be free to examine proposals in practical detail. We shall be morally bound. Why not take the wording of our own declaration with all its safeguarding provisions?"

On being informed of the revised formula on pages 3 & 4 of C.P.-150 (33) the Prime Minister thought that this too changed undesirably the emphasis of our previous declaration, and that we should stand by our attitude that only minor changes in our draft Convention could be allowed.

NO RESORT TO FORCE DECLARATION.

After a brief discussion, in the course of which the Cabinet were reminded of the Conclusion reached by the Ministerial Cabinet Committee at their meeting on February 17th last (D.C.(M) (32) 8th Conclusions), namely:

"That the Declaration of No Resort to Force was meant specifically to apply to Europe and had been framed with a particular end in view, to extend its application universally would be to destroy the entire usefulness of this Pact, and any attempt to do so should be strongly resisted by us",

the Cabinet agreed —

(i) That the reply to telegram No. 275 should be to the effect that the Cabinet were not prepared to modify the policy in regard to the No Resort to Force declaration set out above!
(ii) To take note that the Secretary of State for Foreign Affairs proposed to communicate with the members of the Ministerial Committee on the questions raised in further telegrams (Nos. 286 and 287) from Mr Eden which had just been received.
4. The Cabinet were informed by the Secretary of State for Foreign Affairs that it was probable that this Agreement would be initialled in Rome before the end of the week. In its latest form the Agreement was less contentious and more anodyne than in the form originally drafted. He thought that the Agreement represented a distinct advance, and it was satisfactory that France had accepted it. The objections of the Little Entente had been overcome, and the Agreement now amounted to an arrangement between the four great Western Powers for the settlement of controversies by peaceable methods during the next 10 years. As soon as the Agreement was initialled it was proposed to publish it in the form of a White Paper.
5. The Cabinet had before them a Note (Paper No. C.P. 149 (33)) by the Secretary of State for Foreign Affairs, covering a Memorandum prepared in the Foreign Office on the measures which can be taken to compel observance by Germany of her obligations under Part V (Military, Naval and Air Clauses) of the Treaty of Versailles.

The Cabinet took note of this document which had been circulated for their information.
6. The Cabinet had before them a Note (Paper No. C.P. 145 (35)) by the Secretary of State for Foreign Affairs covering a Memorandum by His Majesty's Ambassador at Tokio on the internal position and external ambitions of Japan. Sir Francis Lindley's views may be summarised as follows -

Japan's internal political situation may be considered as reasonably stable when existing world conditions are taken into account, and her financial position cannot be described as critical. Japan has no foreign aspirations outside Asia, and for the time being these do not extend further than Manchuria, with regard to which, however, nothing short of armed force will induce her to forego her supremacy in that country. Economically, the Chinese market is of far greater importance to her than to any other foreign country, and it is not too much to say that that market is of vital necessity to Japan and that she will not allow it to be closed against her without a struggle.

Japan left the League of Nations with genuine regret. Her relations with the United States can only be described as thoroughly bad, but while the general population regard America as the enemy, the Japanese Army concentrates its whole attention on a future war with Russia as the only means of safeguarding the newly acquired territory of Manchukuo, and of Japan itself, against attack by aircraft.

As regards disarmament, Japan will agree to no modifications which will impair her supremacy by land or sea in the Far East. Subject to this, it is not impossible that she might consent to some measure of disarmament.

The Cabinet took note of His Majesty's Ambassador's interesting appreciation of the Japanese situation.
7. In pursuance of the Conclusion mentioned in the margin, the Cabinet had before them a Report of the Committee on the Monetary and Economic Conference (C.P. 144 (33)) covering Appendix 'B', draft Resolutions in the form agreed by the Committee. The Committee recommended the Cabinet to approve the draft Resolutions as the basis of the policy to be pursued by the United Kingdom Delegation at the Conference in regard to the Monetary and Commercial Headings named on the draft Agenda.

The Cabinet were informed that the Prime Minister, to whom an advance copy of the draft Resolutions had been sent, had made certain comments and suggested a number of amendments in the draft.

The Cabinet agreed:

(1) To invite the Chancellor of the Exchequer, the Secretary of State for the Colonies, the President of the Board of Trade and the Minister of Agriculture and Fisheries, to confer in regard to the various suggestions made by the Prime Minister.

(2) Subject to (1) above, to approve the Resolutions in the form of the draft set out in Appendix 'B' to Paper No. C.P. 144 (33) as the basis of the policy to be pursued by the United Kingdom Delegation at the Monetary and Economic Conference in regard to the Monetary and Commercial Headings named on the draft Agenda.

(NOTE: After the Meeting of the Cabinet the Chancellor of the Exchequer spoke to the Prime Minister on the telephone, and it was agreed that the consideration of the Prime Minister's amendments should be deferred until after his return to London, when they could be discussed at a meeting of the United Kingdom Delegates at the Conference. Until the Prime Minister has conferred with his colleagues it will not be possible to circulate copies of the Resolutions in their finally approved form.)
The Cabinet had before them a Memorandum (C.P. 141(33)) by the Secretary of State for Dominion Affairs covering the Report of the Committee on Economic Consultation and Co-operation which was appointed as a result of the Ottawa Conference, 1932.

As explained in this Memorandum the Report contains no proposals for setting up a comprehensive form of machinery for consultation upon economic questions of common interest to the various parts of the Empire. While the representatives on the Committee of the United Kingdom, Australia, New Zealand, India and the Colonies favoured close co-operation and the establishment of some form of central body, the representatives of Canada, South Africa and the Irish Free State were opposed to any form of central body and would only agree to a limited degree of co-operation. As it seemed certain that in this matter the three Dominion Governments would adhere to their settled policy the United Kingdom representatives concentrated on obtaining a Report representing what was agreed upon and not what was the subject of disagreement. Among the agreed proposals of importance were those for an enlargement of the functions of the Executive Council of the Imperial Agricultural Bureaux and of the Imperial Economic Committee.

The Memorandum then discussed the question of the attitude of the United Kingdom Government both to the Empire Marketing Board and to the maintenance, cessation or transfer of its activities in detail, and in paragraph 18, while regretting the disappearance of the Board, the Secretary of State for Dominion Affairs stated that he saw no alternative but to arrange for the Board as now constituted, to come to an end on
30th September, 1933. If the Committee's Report is adopted by the Empire Governments he proposed to arrange for the necessary steps to be taken, for those functions of the Board whose continuance is recommended to be transferred as from 1st October, 1933, to the Imperial Economic Committee and for the work of winding up the remainder of the Board's activities to be put in hand.

The Memorandum, after referring on the other existing inter-Imperial agencies, such as the Imperial Institute and to the publication of the Committee's Report, stated that the immediate questions on which a decision is required are:

1. Whether arrangements are to be made for the Empire Marketing Board as at present constituted to come to an end on 30th September, 1933.

2. Whether, if the Governments of the Empire adopt the Committee's Report, the functions of the Empire Marketing Board, whose continuance is recommended are to be transferred as from 1st October, 1933, to the Imperial Economic Committee and steps taken for the remainder of the Board's activities to be wound up.

and concluded with proposals for inter-departmental examination of certain questions relating to the Empire Marketing Board and the other agencies covered by the Report.

In the course of discussion, attention was drawn to the desirability of discussing with Representatives of the Dominions who would be present at the Monetary and Economic Conference, the extent to which the Dominions might be prepared to hasten the plan of future co-operation indicated in paragraph 13 of the Memorandum.

The Cabinet were also informed that arrangements were under consideration for utilising the services of
the Secretary of the Empire Marketing Board and his
staff after the Board's activities came to an end.

General agreement was expressed with the
following proposals contained in the Secretary of State's
Memorandum (C.P. 141 (33)):­

(1) that arrangements should be made for
the Empire Marketing Board as at
present constituted to come to an end
on 30th September, 1933.

(2) that, if the Governments of the Empire
adopt the Committee's Report, the
functions of the Empire Marketing
Board, whose continuance is recommended,
should be transferred as from 1st
October, 1933, to the Imperial Economic
Committee, and that steps should be
taken for the remainder of the Board's
activities to be wound up.

(3) that the United Kingdom Departments
more especially concerned -

(a) should examine the provision now
made from the Empire Marketing
Fund for the services which will
be discontinued, with a view to
such action, in consultation with
the Treasury, as may seem desirable
in regard to them:

(b) should consider to what extent
the recommendations, apart from
those relating to the Empire
Marketing Board, should be carried
into effect so far as His Majesty's
Government in the United Kingdom
are concerned.

Before, however, reaching any final conclusions -
the Cabinet agreed :-

(1) That the Secretary of State's
Memorandum (C.P. 141 (33)) should
be referred for examination and
report to a Cabinet Committee
constituted as follows :-

The Chancellor of the Exchequer
The Secretary of State for the Colonies
The Secretary of State for Scotland
The President of the Board of Trade
The Minister of Agriculture and Fisheries.

(2) That a representative of the
Department of Scientific and Industrial
Research should be available for
consultation with the Committee as
required.
The Cabinet had before them a Memorandum (Paper No. C.F. 142 (33)) by the Secretary of State for the Colonies, on the situation in Kenya in regard to the imposition of further taxation on the non-native community. After recalling the adoption of Lord Moyne's advice as to the necessity of increased taxation to balance the Budget, and that an income tax would be the fairest method of increasing the non-native contribution to revenue, and drawing attention to the intense opposition in Kenya to income tax in principle, the Memorandum explained the circumstances in which the following alternative practicable proposals for raising revenue had been submitted to the Secretary of State:

- A graduated non-native Poll Tax, based on income;
- An extension of the system of Trade Licences;
- A Landing Tax on Passengers;
- A Package Tax;
- An increased Tax on the registration of companies (1 per cent. on nominal capital); and
- Increased stamp duties on Bills and Promissory Notes.

Among other advantages the alternative proposals would produce some greatly needed revenue in the current year, and revenue from them would be found with the cooperation of the unofficials, while income tax would certainly be obstructed.

It was also urged that if the alternative proposals are adopted and income tax is dropped, one of three things will happen. Either the alternatives will work and produce the necessary revenue and the tax payers will be satisfied with them, in which case the situation will be satisfactory; or they will fail to produce an adequate revenue; or, while producing revenue, they will be found to be unpopular in practice, with the result that the tax-payers will ask for a system of taxation more
justly and scientifically adapted to capacity to pay. In either of the last two events the Income Tax Bill, which is already in draft and has received detailed examination, can be imposed with a larger measure of acceptance.

Attached to the Memorandum were telegrams which had recently passed between the Secretary of State and the Governor, who was opposed to the above proposal and favoured the enactment of the Income Tax Ordinance for the reasons set out in his telegrams.

The Secretary of State for India enquired whether Indians in Kenya would not be more heavily taxed under the alternative proposals than under the Income Tax proposal. He would like, if possible, before action was taken, to inform the Government of India of what was proposed, but he did not ask that the policy suggested in C.P. 148 (33) should be modified, even if the Government of India raised objections to it.

The Secretary of State for the Colonies agreed that under the alternative proposals Indians in Kenya would be more heavily taxed than under the Income Tax proposal. This was justifiable because in any case it would be difficult to collect Income Tax from the Indians, and the Indians, like other traders, had not experienced the depression which was adversely affecting the white producers in Kenya. He also stated that the Landing Tax would only apply in the case of passengers from places outside East Africa.

The Cabinet agreed --

(a) To approve the proposal of the Secretary of State for the Colonies that the alternative proposals (named in paragraph 12 of C.P. 148 (33)) for raising the additional revenue required to restore the financial position of Kenya and to balance the budget should be given a trial, it being made clear that these proposals must be judged in the light of experience both in their capacity to raise revenue, their practicability and their acceptability in practice as an alternative to Income Tax to the people who have to pay;

(b) To take note that in approving the alternative proposals it was the intention of the Secretary of State to suggest certain modifications in detail;

(c) To invite the Secretary of State for the Colonies to confer with the Secretary of State for India in regard to the preparation of a despatch to the Government of India explanatory of the conclusions reached by the Cabinet in regard to the substitution of the alternative taxation proposals for the Income Tax proposal; on the understanding, however, that it will not be open to the Government of India to ask that this decision should be reconsidered.
10. The Cabinet had under consideration a Memorandum by the Minister of Labour (C.P.-147 (33)) covering the proposed instructions to the British Government Delegates on the five items on the Agenda of the forthcoming Seventeenth Session of the International Labour Conference to open at Geneva on Thursday, June 8, 1933. These items were:

1. Abolition of fee-charging employment agencies;
2. Invalidity, Old Age and Widows' and Orphans' Insurance;
3. Unemployment Insurance;
4. Methods of providing rest and alternation of shifts in automatic sheet-glass works;
5. Reduction of hours of work.

It was explained in this Memorandum that the instructions had been drawn up by the Home Office, the Ministry of Health and the Ministry of Labour, and had been approved by the International Labour Committee, upon which all the Departments concerned are represented.

The Cabinet were warned that if the United Kingdom entered into the Convention dealing with Invalidity, Old Age, and Widows' and Orphans' Insurance, we should in effect be entering into a commitment never to raise the age for entry into contributory pension etc. schemes in operation at present.

The Cabinet took note of, and approved, the proposed instructions to the British Government Delegates at the Conference, as set out in the annex to C.P.-147 (33).
11. The Memorandum by the Minister of Labour (C.F. No. 147 (33)) mentioned in the preceding Conclusion, also drew attention to a difficulty which might arise at the Conference in connection with the credentials of the German Workers' Delegate, and possibly Advisers. As it is uncertain whether, and in what form, the issue will arise at the Conference, the Minister of Labour did not at present ask for the authority of the Cabinet for any particular line of action, but he might have to ask for an urgent decision, and proposed to wait for the information which the Foreign Office are endeavouring to obtain and for the developments at the Conference itself.

The Cabinet took note that the Minister of Labour would, if necessary, ask them for a decision at a later stage and that in the meantime he proposed to act in this matter in close consultation with the Secretary of State for Foreign Affairs.
The Cabinet had under consideration a Memorandum by the Lord Chancellor (H.A. 17 (32)) covering the draft Railway and Canal Commission Abolition Bill, the object of which was to carry out the recommendations of an Informal Committee appointed by the Lord Chancellor in 1929, which had come to the conclusion that there was no sufficient justification for the continued existence of the Railway and Canal Commission as a separate body, and that the transfer of its functions to other existing bodies would result in substantial economies, the saving of the time of a King's Bench Judge and in increased efficiency and a saving of expense to the litigant: together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 1):

To authorise the introduction in the House of Lords of the Railway and Canal Commission Abolition Bill, in the form of the draft annexed to H.A. 17 (32), subject to the insertion of the clause dealing with the tenure and pension rights of the President of the Railway Rates Tribunal and to any drafting or other minor alterations that may be found necessary or desirable.

The Cabinet approved the above recommendation.
The Cabinet had under consideration a Memorandum by the Home Secretary, the Secretary of State for Foreign Affairs and the Secretary of State for Dominion Affairs (H.A. 17 (33)) covering the draft British Nationality and Status of Aliens Bill, 1933, the object of which is to enable His Majesty's Government to ratify the Nationality Convention which was concluded at the Hague in 1930; together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 2):—

To authorise the introduction forthwith in the House of Lords of the British Nationality and Status of Aliens Bill, 1933, in the form of the draft annexed to H.A. 17 (33), subject to the alteration of Sub-Clause (4) of Clause 1 and to any drafting or other minor alterations which may be found necessary or desirable.

The Cabinet approved the above recommendation.
The Cabinet had under consideration a Memorandum by the Home Secretary, the Secretary of State for Foreign Affairs and the Secretary of State for Dominion Affairs (H.A. 17 (33)) covering the draft British Nationality and Status of Aliens Bill, 1933, the object of which is to enable His Majesty's Government to ratify the Nationality Convention which was concluded at the Hague in 1930; together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 2):-

To authorise the introduction forthwith in the House of Lords of the British Nationality and Status of Aliens Bill, 1933, in the form of the draft annexed to H.A. 17 (33), subject to the alteration of Sub-Clause (4) of Clause 1 and to any drafting or other minor alterations which may be found necessary or desirable.

The Cabinet approved the above recommendation.
14. The Cabinet had under consideration a Memorandum by the Minister of Labour (H.A. 15 (33)) covering the draft Unemployment Insurance (Expiring Enactments) Bill, the object of which was to extend the operation of the Unemployment Insurance Act, 1930, and the Anomalies Act, 1931, for a period of 12 months, i.e. until 30th June, 1934, together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 3):

To authorise the introduction in the House of Commons of the Unemployment Insurance (Expiring Enactments) Bill in the form of the draft annexed to H.A. 15 (33), subject to any drafting or other minor alterations that may be found necessary or desirable.

The Cabinet approved the above recommendation.
15. The Cabinet had under consideration a Memorandum by the Minister of Health (H.A. 18 (33)) covering the draft Local Government and other Officers Superannuation (Temporary Provisions) Bill, the object of which was to provide that the superannuation rights of persons employed, or paid, by local authorities and other public bodies shall not be affected by temporary reductions of salary due to the general financial situation, if those reductions were made between September 30th, 1931, and October 1st, 1932, and were made on the understanding that they should not affect the amount of any superannuation allowance to become payable in the future; together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 4):

To authorise the introduction in the House of Commons of the Local Government and other Officers Superannuation (Temporary Provisions) Bill, in the form of the draft annexed to H.A. 18 (33), subject to the agreed alteration of Clause 4, and to any drafting or other minor alterations that may be found necessary or desirable.

The Cabinet approved the above recommendation.
16. The Cabinet had under consideration a Memorandum by the Minister of Agriculture and Fisheries and the Secretary of State for Scotland (H.A. 16 (33)) covering the draft Sea-Fishing Industry Bill, the object of which was to restrict the quantity and to improve the average quality of the supplies of fish coming into the British market, so as to restore prices at the port to a more remunerative level: together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 7th Conclusions (33), Minute 5):

To authorise the introduction in the House of Commons of the Sea-Fishing Industry Bill in the form of the draft annexed to H.A. 16 (33), subject to agreement being reached in regard to the wording of Clause 1 (2) and to any drafting or other minor alterations that may be found necessary or desirable.

The Cabinet approved the above recommendation.

S, Whitehall Gardens, S.W.1,
May 31, 1933.