Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on MONDAY, 19th MARCH, 1954, at 11.0 a.m.

AGENDA.

1. REDUCTION AND LIMITATION OF ARMAMENTS.
   (Reference Cabinet 9 (34) Conclusion 2).
   Memorandum by the Secretary of State for Foreign Affairs.
   C.P. 68 (34) – already circulated.

2. IMPERIAL DEFENCE POLICY: CONTINUATION OF GENERAL DISCUSSION.
   (Reference Cabinet 9 (34) Conclusion 13).
   Report of Defence Requirements Committee.
   C.P. 64 (34) – already circulated.

   Note by the Prime Minister covering list of subjects for Cabinet consideration.
   C.P. 70 (34) – already circulated.

   Memo. by Secretary of State for Dominion Affairs.
   C.P. 78 (34) – already circulated.

   Memo. by Secretary of State for Foreign Affairs.

3. JAPANESE TRADE COMPETITION.
   (Reference Cabinet 9 (34) Conclusion 5).
   Memorandum by the President of the Board of Trade.
   C.P. 67 (34) – already circulated.

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

2, Whitehall Gardens, S.W.1.,
15th March, 1934.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.I., on MONDAY, 19th MARCH, 1934, 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, Secretary of State for War.

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


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

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. The Viscount Halifax, G.C., G.C.M.G., G.C.V.O., President of the Board of Education.


The Following were also present:

The Right Hon. Lord Stanley, M.C., M.P., Parliamentary and Financial Secretary to the Admiralty.

Colonel Sir Maurice Hankey, G.C.B., C.M.G., G.C.V.O.,.... Secretary.
1. The Prime Minister, on behalf of the Cabinet, gave a cordial welcome to the Secretary of State for the Colonies and congratulated him on his recovery from an illness which had caused his colleagues anxiety.
2. The Cabinet resumed their general discussion of the Most Secret Report of the Defence Requirements Committee (C.P.-64 (34)), dealing with a programme for meeting our worst deficiencies in Imperial Defence, and the Note by the Prime Minister (C.P.-70 (34)) covering a series of questions.

In addition to the above the Cabinet had before them the following Papers:

A Memorandum by the Secretary of State for Dominion Affairs (C.P.-78 (34)) circulating in connection with Question 25 in C.P.-70 (34) an historical note, prepared in the Dominions Office, on the Attitude of the Dominions in regard to the Termination in 1921 of the Anglo-Japanese Alliance.

A Memorandum by the Secretary of State for Foreign Affairs (C.P.-80 (34)) setting forth the pros and cons of an Anglo-Japanese non-aggression pact, which had been suggested during the discussion at the previous Meeting.

A Memorandum by the Secretary of State for Foreign Affairs (C.P.-68 (34)) on the Consequences of a Breakdown of the Disarmament Conference, which, as decided at the previous Meeting (Cabinet 9 (34), Conclusion 2), was to be brought up at the appropriate stage of the discussion on Imperial Defence Policy.

The Cabinet turned first to Question 2 of the questionnaire that had been before them at the last Meeting (C.P.-70 (34)), namely, Relations with Japan.

The Prime Minister first raised the question of whether, after the discussion at the previous Meeting, the Cabinet wished further to consider the proposed non-aggression pact with Japan; and after a short exchange of views it was decided that the proposal ought to receive further consideration.

The President of the Board of Trade had not been able to attend the Meeting on this question, and consequently there had been no discussion on the economic aspects of the proposals then made for
getting back to our old terms of cordiality and mutual respect with Japan.

In the course of the discussion attention was drawn to a volume of Memoranda on many aspects of the situation in the Far East, which had been circulated by the Secretary of State for Foreign Affairs (C.P.-77 (34)), and a study of which several members of the Cabinet suggested was essential to the question of Relations with Japan.

The Secretary of State for Foreign Affairs said that he had circulated these Memoranda rather for general information than in connection with the report of the Defence Requirements Committee, but he did not dissent from the view that some of the Memoranda had an important bearing on the question under consideration.

The Prime Minister drew attention to the very compendious nature of these Memoranda and asked whether a précis could be circulated.

The President of the Board of Trade pointed out that some of these documents did not lend themselves to a précis: for example, Memorandum No.4, on the economic position in Japan.

The Secretary of State for Foreign Affairs thought a précis would be difficult, but undertook to make an attempt.

The President of the Board of Trade undertook to circulate a Memorandum on the economic aspects of the proposals before the Cabinet.

The Secretary of State for Dominion Affairs pointed out that no agreement with Japan could be signed on behalf of the Dominions, who would be rather divided. Australia and New Zealand, for example, would be favourable to an agreement, and Canada would be opposed.
The Cabinet agreed --

(a) To postpone further consideration of Questions 2 and 3 of C.P.-70 (34) until a later Meeting, to give time for the study of C.P.-77 (34) and for the preparation of the further documents mentioned below:

(b) That the Secretary of State for Foreign Affairs should, if possible, circulate a précis of C.P.-77 (34):

(c) That the President of the Board of Trade should circulate a Memorandum on the economic aspects of the proposals before the Cabinet for closer relations with Japan.
3. The Cabinet then turned to the 4th Question in the Prime Minister's questionnaire (C.P.-70 (34)), viz.,

"Does the Cabinet approve the following:--

'Secondly we take Germany as the ultimate potential enemy against whom our 'long-range' Defence policy must be directed'? (Para. 12 of C.P.-64 (34))

and the consequence (set forth in the Second Assumption of the Report) that France, Italy and the United States of America should be excluded from our basis of calculation, and the remarks thereon in paragraph 13 of C.P.-64 (34)".

The Secretary of State for Foreign Affairs suggested that the last words "and the remarks thereon in paragraph 13" should be amended to read "subject to the remarks thereon in paragraph 13".

The Prime Minister said he had intended this, the point being that he had wished to draw attention to paragraphs 12 and 13 in their relation to each other, which latter provided for a slightly extended interpretation of the assumption that no expenditure was to be incurred on measures of defence required to provide exclusively against attack by the United States of America, France or Italy.

The Secretary of State for India suggested that a good deal turned on what was meant by the term "the ultimate potential enemy". The D.R.C. Report appeared to suggest Germany as an immediate menace. From the documents circulated from time to time to the Cabinet he doubted whether the German menace was quite so acute as the Report appeared to assume.

The Secretary of State for Foreign Affairs said that from the Lord Privy Seal's reports and other documents it was a fair inference that Hitler's outlook was not aggressive or threatening to us.
but that Hitler was preoccupied with the internal situation in Germany and the development of her place in the world. Moreover, the methods adopted by Hitler and his friends were often menacing. Hitler maintained that the Nazis were not a military force. It might be that his intention was only further to discipline an over-disciplined people; but the fact remained that he had two and a half million people enrolled in these forces. Moreover, his methods of appealing to his own people might easily result in a menacing situation. He thought, therefore, that the probable intention of the document was not to indicate that Germany was threatening us today, but that her methods tended in a menacing direction. For example, Germany was tearing up the Treaty of Versailles. The Committee probably assumed, therefore, that danger was more likely to come from Germany than from any other direction. He himself inclined to the view that a German menace, if it developed, was more likely to be to the east and south than to the west. Austria, Danzig, Memel, appeared to be principally menaced. Although it had hitherto been assumed that Germany could not do anything effective against her neighbours, she was rapidly increasing her force.

The Secretary of State for India said that if the menace was as great as was suggested in this Report the Cabinet were faced with a very critical situation, comparable to that which existed in 1906 to 1914. That involved wider issues than could be faced by an inter-Departmental Committee. It would involve a series of Inquiries of a type that had occurred between the years mentioned, to which it might be necessary, as then, to invite the Parliamentary Opposition. When such great sums were
involved as the Report suggested, it would be absurd to try and reach decisions without relation to France, and we might have to be drawn into discussions with France. He thought that before going into technical details these issues of broad policy ought to be considered.

The Chancellor of the Exchequer agreed with the Secretary of State for India that it would be wrong to go into this question without envisaging the possibility of allies, as in that event the commitments might well be larger than we could face. When confronted with an expenditure of over £70,000,000 in five years the Cabinet were bound to consider whether there was no alternative. Surely the whole lesson to be derived from the disarmament discussions was that disarmament came second, and security first. If we could only get security by material guarantees it might be found that our share of some general scheme came to less than the figures suggested in this Report. He thought, therefore, that the Cabinet ought to go to a point even further back than that at which the Report began, and to reach their conclusions on the Report after settling their policy.

The Prime Minister said that his own conclusions as to the handling of the problem were rather similar. The reason he had put down this question was that the Committee appeared to hold so strongly to the idea that we must single out a particular State against which to measure our needs. The question of whether it was unavoidable to single out a particular country as a potential enemy had appeared to him to be fundamental, and one to which the Cabinet ought early to direct their attention.
The Secretary of State for the Colonies suggested that it was impossible to reach a decision on these larger issues until the result of the Disarmament negotiations was known. If any agreement were reached we should know what Germany's declared programme was over a term of five years. He appreciated, however, that the Committee could not review the problem without making some assumptions.

The Secretary of State for Air suggested that it was no use putting on one side the suggestion that Germany was our only potential enemy in Europe. There was every evidence that Germany was going ahead with her armaments, especially in the air. The Chiefs of Staff and their colleagues had taken a practical view of the German intentions. They had assumed that Germany might become a menace in five or six years. Within that time she might even make a demand on us for colonies. He himself put the period at which Germany might be a menace at four years. In any event a decision ought to be reached quickly, as it would be highly dangerous if we had not corrected our worst deficiencies when Germany had re-armed.

The Secretary of State for Foreign Affairs suggested there were two assumptions implicit in paragraph 13: (1) that the Disarmament Conference would fail; (2) that there was no provision for security.

The Secretary to the Cabinet did not think it was the intention of his Committee to assume the failure of the Disarmament Conference. He himself had assumed that even if the Disarmament Conference succeeded it would involve so much re-armament by Germany that we should still have to make good most of our deficiencies, and he did not think his colleagues would dissent from this.
The Secretary of State for India said that even if the Disarmament Conference did fail, and even if this was followed by demonstrations, and so forth, in Germany, that would not take them far towards the huge developments that would be necessary before they were ready for war. The anti-Government feeling in Germany, which existed in important sections of the population, ought also not to be overlooked. He thought that if we decided on parity in the air it would be a tremendous risk to Germany to attack this country. She was surrounded by possible enemies — France, Poland, with Italy none too friendly to her — and would not be likely to risk an attack. Air parity would, in his view, mitigate one of the great risks.

The Lord Chancellor asked if we ought not to consider our obligations under Locarno.

The Prime Minister thought that the Cabinet would have to try and arrive at some statement of what was their foreign policy on the three points raised in the Report:

(1) As regards paragraph 13 of C.P.-64 (34), a series of propositions designed to keep the peace in the Far East:

(2) As regards Germany:

(3) As regards India.
The Secretary of State for Air pointed out that Germany was the one country in Europe with a definite grievance. We had constantly been making concessions to meet the German position. As time went on her demands increased. The stronger she became the more insistent would be her demands. He did not see how we could avoid considering her as a potential enemy.

The Minister of Agriculture and Fisheries said we must either exclude the whole world, or most of the world, from our basis of calculation. If we could not exclude the whole world we might nevertheless exclude all but a very few. We did not single out Germany as a country against which we were going to war, but France, Italy and the United States as countries against which we need not make preparations.

The Prime Minister pointed out, however, the definite words of paragraph 19, "Secondly we take Germany as the ultimate potential enemy against whom our 'long-range' defence policy must be directed". That indicated that both from a political and a defence point of view we must take Germany as a potential enemy.

The Lord President of the Council asked how the Cabinet could discuss the question without also discussing the Disarmament Conference. In that connection the question to which attention was constantly being directed was as to whether we were prepared to undertake a guarantee. It might even be a choice between a guarantee and losing the friendship of France.

The Secretary of State for War recalled the circumstances in which the Defence Requirements Committee had been appointed. Until two years ago every Cabinet had assumed, as the basis of their Defence Estimates, that there would be no major war for ten years from any given date. On that assumption all the Defence Departments had budgeted, and as a result great
deficiencies had accumulated. Two years ago that assumption had been abrogated. The position then was that the Defence Departments were no longer able to assume that there would be no war for ten years. He thought that all three Defence Departments had then felt that they could not properly discharge their duty, in view of their accumulated deficiencies. He had accepted that position for a time because he had had to weigh the dangers of unpreparedness against the risks of financial catastrophe. The position, however, could not continue indefinitely. Consequently the Cabinet had appointed the Defence Requirements Committee. Their Report disclosed an alarming situation. When they were asked to provide a programme for remedying the situation they had to make some assumptions. What the Committee said in their Report, in effect, was that in making their calculations they excluded certain nations, but did not exclude Germany. That did not mean that they assumed we were going to war with Germany, but if there was a risk of war with Germany then these were the requirements that ought to be made good to provide against it. They were bound to assume some potential enemy or enemies. If the Cabinet were prepared to say that there was no risk of trouble with Germany, then much of the Report would become unnecessary. What the Committee had said was that they were not proposing that we should arm against the whole world. They excluded France, Italy and America; but there were other people with whom we might be forced into war.

The Chancellor of the Exchequer thanked the Secretary of State for War for expressing the position in this way. The Committee had been told to proceed on certain assumptions, and could do nothing else.
The situation in Europe appeared to him to be clearing to the extent that there were only two alternatives, namely, either (1) competition, with re-armament; or (2) the additional security that some nations were asking for. Even this would probably involve some expenditure on armaments. He wanted to discuss that question first. The more the D.R.C. Report was studied the more he thought it would be seen how important this was.

The Secretary of State for India said he had no objection to the Committee having some basis for discussion. What he did object to was going back to the position of 1906 to 1914, namely, that everybody was preparing for war with Germany. We might eventually be driven to it, but we were not, in his opinion, yet at that point.

The Prime Minister said that that assumption but was not being made, we ought to work out every possible alternative, including that of some system of collective security.
The Minister of Agriculture and Fisheries said much depended on who was going to threaten security. If it was Germany the provision of proper defences might be less than now proposed.

The Postmaster-General suggested that the decision on Paragraph 4 should not be reached until the results of the Disarmament situation were known. For his part, he would not like to give an answer today.

The Prime Minister agreed that that decision could not be taken today and that it would be necessary to consider how far it would be possible to reduce our commitments by a security scheme.

The President of the Board of Trade hoped that if alternatives were to be discussed the Cabinet would decide on the pros and cons of what termed security by which was meant a new grouping of allies. They ought to probe what was the meaning of that proposal.

The Secretary of State for Foreign Affairs pointed out that the question was raised in his Memorandum (C.P. 68 (34)). He drew attention to the terms of reference of the Defence Requirements Committee as set forth in the first paragraph of the Report where by decision of the Cabinet the United States, France and Italy were excluded from the basis of calculation. In view of this it seemed to him that the Defence Requirements Committee had had no alternative but to proceed on the lines they had adopted.

The Secretary of State for Dominion Affairs said that if Germany was to be looked upon as a potential enemy he could not imagine our being engaged with her single handed. He asked that public opinion at home should be taken into consideration. It would be a mistake for the Cabinet to make up their minds either on a huge expenditure on armaments and a new armaments race or to new commitments.

The Prime Minister pointed out that the Report
under consideration did not involve armaments beyond proved deficiencies. He suggested that for the moment the decision on Paragraph 4 might be that the Cabinet could not reach a decision pending (1) the result of the Disarmament Conference, (2) other ways of approaching our security.

The Secretary of State for Foreign Affairs then read a draft decision which he had prepared during the meeting for consideration by his colleagues. After a good deal of discussion in detail this was adopted in the form set out in the conclusion.

While the Secretary of State was redrafting the discussion continued.

The President of the Board of Trade asked whether in giving some security we should not perhaps be undertaking a large further commitment.

The Chancellor of the Exchequer said that some commitments were unavoidable whatever our policy out we might find a security commitment unless expensive of the two.

The Secretary of State for Air said we had reached a point where it was necessary to take a very practical view. Excuses might be found for delaying the decision indefinitely. If there was much delay in taking decisions on our armaments policy he thought a serious situation might arise in the country. He was being pressed very hard about our air position. The question he asked was when we should begin to lay the foundations of our future policy in air armaments.

The Secretary of State for India agreed that a long delay would be disastrous from every point of view.

The Prime Minister said there was no intention to have a long delay.

The Secretary of State for Foreign Affairs agreed and thought that in any event there could not be much
delay as the French Note would bring us to the brink of the next stage of the Disarmament discussions, and the Conference was to meet on April 10th.

The Secretary of State for Air recalled the statement made by the Lord President of the Council in the House of Commons.

The Prime Minister pointed out that the Lord President of the Council had used very careful language.

The Lord President of the Council agreed but pointed out that though for the moment the critics were silent they would break out again before long.

After some further discussion of the draft formula prepared by the Secretary of State for Foreign Affairs, the Cabinet decided to record the following provisional conclusion on Question 4 of C.P. 70 (34):

> If the Disarmament discussions do not end in agreement - and even if there is an agreement involving substantial rearmament of Germany - Germany's power may soon be great enough to make her a potential danger to others, and in these circumstances the Cabinet must without delay consider the following courses (which may not be complete alternatives):

1. Joining in arranging to provide further security against breach of the peace;

2. Facing very heavy further expenditure on armaments.

It is recognised that there may be other alternatives to be considered in addition to those mentioned.
4. The Prime Minister read Paragraph 5 of C.P. 70 (34) as follows:

Does the Cabinet approve the Committee's assumption that we should aim in principle at a programme spread over a five-year period (para. 14, D.R.C. 14), in relation to -

(i) The Far East?
(ii) Germany?

A short discussion on this question tended to show that the question of a time limit was rather closely connected with the final decision on policy and the Cabinet agreed -

To record no decision for the present.
5. The Prime Minister read Question 6 of C.P. 70 (34), viz:

Is there any criticism of the general statement of our deficiencies in the event of trouble in the Far East? (Pars. 18-21, D.R.C. 14).

The Secretary of State for India asked how the deficiencies had been drawn up. Had they merely been provided by each of the Defence Services and adopted? Had substitution been considered? Had there been any consideration of strategical plans?

The Secretary to the Cabinet, as Chairman of the Defence Requirements Committee, asked the Cabinet to remember that the enquiry by the Defence Requirements Committee had been preceded by an annual review by the Chiefs of Staff Sub-Committee (C.I.D. paper 113B) to which the Cabinet had drawn the attention of the Defence Requirements Committee in laying down their terms of reference. That annual review by the Chiefs of Staff Committee had been a particularly comprehensive one and had covered the whole of the general strategical considerations in every part of the world affecting Imperial Defence, and had been approved by the Cabinet to govern for the present the expenditure of the Defence Departments. The Defence Requirements Committee had not reopened that unanimous report. Their procedure had been to invite each Department to submit a statement of its worst deficiencies. These statements had been discussed in great detail and at a number of meetings in the light of the Cabinet's decisions and the reports referred to therein. Every single item in tables A, B, C and D had been examined in detail. Certain questions had been adjourned by the Committee in order that they might be considered in their strategical aspects by the Chiefs of Staff Committee, e.g. the aircraft defence for...
Singapore and other ports. It was only after this minute scrutiny of every item as a result of which many changes had been made, that a unanimous report had been reached.

The Chancellor of the Exchequer pointed out that if the Navy, for example, was to be in a position to fulfil its responsibilities to the Far East it could hardly dispense with such items as modernisation of capital ships, anti-submarine equipment for auxiliary vessels, fleet fuelling reserves and other items of the kind. There were, however, some items in the Report such as the defences of Colombo or Penang and perhaps Hong Kong (the importance of which he did not overrate) where it might be possible to go slower if it were possible to reach an agreement with Japan. No one could say that these deficiencies ought not to be made good, but the main question was the which time within they could be provided.

The Prime Minister said it would be necessary to be careful how this decision was minuted. The Committee had given a catalogue of requirements not arranged in any particular order of priority. The Cabinet must not be taken as having passed the full programme as an order for execution.

The Parliamentary and Financial Secretary to the Admiralty asked even if the Cabinet could not give a time limit now they should give it later on.

The Lord President of the Council said that this would have to be done a little later.

The Prime Minister asked the Admiralty representative to make a note to raise it at the appropriate time.
The Cabinet agreed:

(a) Subject to the Prime Minister's remarks recorded on the previous pages, to approve the general statement of our deficiencies set forth in paragraphs 19-21 of D.R.C. 14.

(b) That the question of a time limit should be considered later.
The Cabinet had before them a Note by the President of the Board of Trade (C.P.-67 (34)) stating that, in view of the possible breakdown of the negotiations between United Kingdom and Japanese cotton and rayon industrialists and of the serious economic and political consequences that might be involved, he would welcome the assistance of those of his colleagues whose Departments were most directly concerned (the Secretary of State for Foreign Affairs, the Secretary of State for Dominion Affairs and the Secretary of State for the Colonies) in order that the position could be considered from all points of view. He therefore suggested that a Committee should be set up, to be called together whenever it might be found necessary.

The Cabinet approved the proposal of the President of the Board of Trade and agreed that the Cabinet Committee should be composed as follows:

- The President of the Board of Trade, (In the chair)
- The Chancellor of the Exchequer,
- The Secretary of State for Foreign Affairs,
- The Secretary of State for Dominion Affairs,
- The Secretary of State for the Colonies,
- The First Commissioner of Works.
7. In view of the large agenda of ordinary business for the Cabinet on Wednesday, 31st March, the Cabinet agreed:

To hold a special meeting in order to continue the discussion of the Report of the Defence Requirements Committee on Thursday next, 22nd March, at 11.0 a.m.

2, Whitehall Gardens, S.W.1.,
19th March, 1934.