CABINET 45 (35).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 9th OCTOBER, 1935, at 11.0 a.m.

AGENDA.

1. THE ITALO-ABYSSINIAN DISPUTE.

   (i) Economic and Financial Sanctions.

   (Reference Cabinet 44 (35) Conclusion 1).

   Report by the Advisory Committee on Trade Questions in Time of War.
   C.P. 186 (35) - already circulated.

   (ii) The Arms Embargo.

   (Reference Cabinet 45 (35) Conclusion 2).

   Question to be raised by the Secretary of State for Foreign Affairs.

   (iii) Information with regard to the supply of commodities to the Italian Colonies in East Africa.

   Memorandum by the Secretary of State for the Colonies.
   C.P. 188 (35) - to be circulated.

2. DEFENCE REQUIREMENTS.

   (Reference Cabinet 31 (34) Conclusion 1).

   Note by the Prime Minister, covering Memorandum by the Secretary.
   C.P. 187 (35) - circulated herewith.

3. ORGANISATION OF THE COAL MINING INDUSTRY.

   (Reference Cabinet 44 (35) Conclusion 4).

   Interim Report of Cabinet Committee.
   C.P. 160 (35) - already circulated.
4. INTERNATIONAL LABOUR CONFERENCE, 1934: RATIFICATION OF THE DRAFT CONVENTION REGARDING BENEFIT OR ALLOWANCES TO THE INVOLUNTARIALLY UNEMPLOYED.

Memorandum by the Minister of Labour.
C.P. 185 (35) - already circulated.

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

2, Whitehall Gardens, S.W.1.,
7th October, 1935.
CONCLUSIONS of a Meeting of the Cabinet held
at 10, Downing Street, S.W.1, on WEDNESDAY,
9th October, 1935, at 11.0 a.m.

PRESENT:

The Right Hon. Stanley Baldwin, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
J. Ramsay MacDonald, M.P.,
Lord President of the Council.

The Right Hon.
The Viscount Hailsham,
Lord Chancellor.

The Right Hon.
Sir Samuel Hoare, Bt., G.C.S.I.,
C.B.E., C.M.G., M.P., Secretary
of State for Foreign Affairs.

The Right Hon.
The Viscount Halifax,
O.C.S.I., C.B.E., C.M.G., M.P., Secretary
of State for Air.

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

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

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

The Right Hon.
Lord Eustace Percy,
Minister without Portfolio.

The Right Hon.
Oliver Stanley, M.C., M.P.,
President of the Board of
Education.

The Right Hon. Ernest Brown, M.C., M.P.,
Minister of Labour.

1. The Secretary of State for Foreign Affairs informed the Cabinet that at Geneva the course of events had been smoother than he had anticipated. The abstentions he had apprehended at the Council had not materialised, and there had been no opposition to the policy pursued by His Majesty's Government. In accordance with his suggestion, the President of the Assembly had summoned that body to meet today to support the attitude of the Council. The next step was likely to be a Joint Committee of the Council and the Assembly to consider sanctions. He himself had consulted the Minister for League of Nations Affairs and M. Laval as to whether it was desirable that he should attend the Meeting of the Assembly. He was given to understand, however, that there would be no resounding speeches at the Assembly, which would merely set up the Joint Committee to which he had just referred. As M. Laval was not summoning the French Delegation to Geneva the Secretary of State did not propose to attend, but was ready to proceed there at short notice.

The Secretary of State then gave accounts of interviews he had had with the French, American and Italian Ambassadors in London, particulars of which had been, or are to be, circulated. At his interview with the French Ambassador he had protested against the attitude of the French Press and the fact that no public man, in spite of opinions expressed in private, had made in France a proper public presentation of the British attitude. In this interview he had also received the answer of the French Government to the British request for co-operation in the event of an attack on a Power in consequence of the application of sanctions. The French reply was probably intended to be satisfactory, but the Secretary of State
indicated two points on which doubts arose and on which he proposed to make further enquiries.

His communications with the American Ambassador had been particularly satisfactory. They had begun late on Saturday evening with a message transmitted from the American Secretary of State, who had notified him that the President proposed to issue a neutrality proclamation at once and intended to add to it the warning that persons trading with belligerents would do so at their risk, but had wanted to know first whether it would embarrass our position at Geneva.

The Secretary of State for Foreign Affairs had sent his thanks, and had indicated that it would be useful if the President acted at once. On the previous day the American Ambassador, on the strength of a message from President Roosevelt, had said that the United States, so far as they could, wanted to co-operate, and the President reported that he had rarely known a matter on which public opinion in the United States was so unanimous as the condemnation of Italy. Although war material only had been included in the embargo, the President was prepared to go further if the League did so. The Secretary of State had gathered that even cotton might be included. The Ambassador had also stated that the American Imports and Exports Bank had been ordered not to give any credits to, or to the advantage of, Italy. We had learned that the President of the United States was also thinking of mobilising the signatories of the Kellogg Pact against Italy and was willing to discuss the method of doing so. This was interesting for the reason that it would facilitate co-operation by Germany and Japan, as well as canalise American opinion. The Secretary of State for Foreign Affairs had not yet had time to formulate advice to the Cabinet as to how best to follow up this matter.
The Italian Ambassador had wanted to see him last Thursday, but this had proved impossible, and the Ambassador had seen Sir Robert Vansittart and had given him a general outline of certain proposals by Signor Mussolini. Although the interview had taken place at 12 Noon on Thursday, by which time the Italian offensive had begun and Adowa had been bombed, the Ambassador had made no reference to these matters. When he himself saw the Ambassador on Friday the Secretary of State had referred to this and had pointed out the difficulties of discussing any proposals while the Italian forces were bombing women and children. Moreover, the further they penetrated into Abyssinia the harder would negotiations become. The Ambassador had read a long private letter from Signor Mussolini, in the first part of which he had tried to indicate how little we understood the Italian position, and had suggested some kind of negotiations; and in the second part of which he had suggested some measure of demobilisation in the Mediterranean.

The Cabinet agreed —

(a) That the Secretary of State for Foreign Affairs should receive any Italian overtures for negotiations for a settlement outside the League of Nations very coolly at the present time and treat them with caution; in any event he must receive detailed proposals before the possibility of entering into negotiations could be considered.

(b) That in regard to proposals for measures of demobilisation in the Mediterranean the Secretary of State for Foreign Affairs should make clear that we had only sent there a bare minimum of naval and other forces for defensive purposes; that there could be no question of diminishing these forces, and we might have to send further reinforcements to Egypt. If, however, Signor Mussolini was prepared to withdraw the large reinforcements he had sent to Libya we would cancel the despatch of reinforcements to Egypt.
2. The Secretary of State for Foreign Affairs suggested that the Minister for League of Nations Affairs should be instructed to raise the question of the arms embargo at the new Joint Committee of the Assembly and Council to be set up at Geneva, and that his aim should be to obtain a collective decision which would probably mean a raising of the arms embargo in the case of Abyssinia.

The Cabinet were reminded that the removal of the arms embargo was liable to raise the question of belligerent rights, on which they were given to understand that the Foreign Office and Admiralty had not yet reached agreement. A suggestion was made that the question might be referred to the Law Officers of the Crown.

The Secretary of State said his information was that Italy was not likely to take any action that would raise the question of belligerent rights.

The Cabinet were reminded that we ourselves might in the future wish to exercise belligerent rights and ought to be very careful as to how the matter was treated.

The Prime Minister informed his colleagues that the question of belligerent rights was on the Agenda for the Sub-Committee on Defence Policy and Requirements at a Meeting to be held the same afternoon.

The Cabinet agreed —

"That the Secretary of State for Foreign Affairs should be authorised to deal with the Arms Embargo on the basis of obtaining a collective decision."
5. The Secretary of State for Air informed the Cabinet that the United States Government had included aeroplanes in their embargo and that we should probably have to do the same.

The Cabinet agreed —

(a) That if aeroplanes should be included in the arms embargo, this should be done by simply withdrawing licences from Italy and not by the more cumbersome method of first withdrawing all licences and then granting them for countries other than Italy.

(b) That the Secretary of State for Air should send a Memorandum to the Secretary of State for Foreign Affairs which the latter could forward to the Minister for League of Nations Affairs.
4. The Cabinet had before them a Memorandum by the Secretary of State for the Colonies (C.P.-168 (35)) on the question whether, if it is decided to impose certain financial and economic sanctions on Italy under Article XVI of the Covenant, there should be included among such sanctions measures to restrict or prohibit the direct supply of commodities by States Members of the League to the Italian Colonies in East Africa, e.g., commodities the export of which to Italy itself would not be restricted or prohibited under the sanctions contemplated, but which were being imported into Italian Colonies in East Africa in abnormal quantities, chiefly for the support of the Italian armies engaged there. If the States Members of the League decided to take special action in this matter it would presumably be necessary to prohibit all direct trade with these Colonies, unless on humanitarian grounds a distinction were made between (i) the supply of foodstuffs and water for human beings and animals, which would be allowed, and (ii) the supply of all other commodities, which would be prohibited.

The Secretary of State for the Colonies pointed out that although the supplies concerned would be withheld as the result of collective action, the chief burden so far as foodstuffs were concerned would fall on the East African Colonies, who at present were doing very good business. Prohibition of exports to the Italian Colonies would undoubtedly embarrass the Italians to some extent, but would have a bad effect on the trade of our Colonies. There might possibly be room for an exception in the case of water and even foodstuffs on humanitarian grounds, but apart from this he thought it would be very difficult, when we were co-operating in the application of sanctions, to allow this trade to continue. He placed less emphasis
on the importance of stopping the trade as a sanction than on the moral aspect. It would be difficult to defend the continuance of this trade either here or in the Colonies, where the native population already showed signs of concern.

It was suggested that if water from Aden was to be stopped, the export of distilling machines from Great Britain should also be stopped.

In support of the proposed prohibition the Cabinet were reminded that the object of the League's action was to stop the fighting in Abyssinia. One of the most effective methods was to prohibit all exports, except possibly water and food, to the armies in the field.

The Cabinet were reminded, however, that the prohibition of these exports to the Italian Colonies would be more of a gesture than a form of pressure, since the Italians could purchase the same produce and material elsewhere and ship them from Italy to their Colonies, so that there would only be some delay, extra cost and extra transport in the way of additional pressure.

The suggestion was made that the League would have to consider exports to Italy commodity by commodity. There was no real difference between shipping an article from (say) Mombasa to Eritrea and shipping the same article from Czechoslovakia via Trieste to Eritrea. The proper course, therefore, was to decide whether a particular article was to be allowed to reach Italy at all, the colonies being considered as part of Italy. This suggestion met with much support, but the comment was made that there was a difference between shipping direct to the seat of war, where the imports were unabashedly for the use of the army, and to Italy where there was a presumption at least
that the articles might be required for the civilian population.

In connection with a proposal that the matter should be discussed in the first instance with the French President of the Council it was pointed out that France and other nations would certainly want us to prohibit export from our Colonies to the seat of war since they themselves would not be affected by the prohibition at all.

The Cabinet agreed —

That the Secretary of State for Foreign Affairs should send to the Minister for League of Nation Affairs an account of the Cabinet’s discussion, pointing out the difficulties and instructing him, if and when the question arose, to take no decision but to refer it to London: he should be on his guard against any decision by the League of Nations which would militate against this country alone.
5. The question of whether Imperial Airways should be advised to remove their base from Brindisi during the present emergency was raised by the Secretary of State for Air.

It was pointed out that the risk that Italy might seize the aircraft was shared by merchant ships in Italian harbours.

The Cabinet were informed that the Italians themselves ran a line in connection with this service: that they sent vast quantities of mails by Imperial Airways, and reserved a passage in every machine.

Realising that the removal elsewhere of the base at Brindisi would be a somewhat provocative act, the Cabinet agreed —

That for the present Imperial Airways should be advised to maintain the base.
The Cabinet had before them a Provisional Report (C.P. 186(35)) on the forms of Economic and Financial Sanctions applicable to the present crisis in connection with the Italo-Abyssinian dispute, submitted by the Advisory Committee of the Committee of Imperial Defence on Trade Questions in Time of War, in accordance with the Cabinet Conclusion mentioned in the margin.

After discussing the Report in some detail and introducing a number of amendments to the conclusions (incorporated below), the Cabinet agreed:

(a) To approve the Provisional Conclusions submitted by the Advisory Committee on Trade Questions in Time of War in the following amended form:

1. That His Majesty's Government should agree to continue the embargo on the export of arms and munitions to Italy;

2. That, subject to Conclusion (b)(ii) below, His Majesty's Government should concur in any proposal that Member States should:
   (a) Prohibit loans and credits to Italy;
   (b) Collect trade debts due to Italy to liquidate trade debts due by Italy.

They should NOT at present (except by way of reprisal) interfere with bank balances or other property of Italians, nor with financial payments due to Italy, nor with marine or other insurance. This conclusion should NOT be announced;

3. That His Majesty's Government should be prepared, in agreement with other Member States, to impose an embargo on all imports from Italy;

4. That His Majesty's Government should be prepared, if the proposal is pressed by other Governments, to join in an examination of the proposal not to allow Italian merchant vessels to make use of League ports;
(v) That if oil producing or supplying Member States, such as Roumania, were prepared to impose an embargo on exports of oil, His Majesty's Government would be prepared to join in this and to consider further an embargo on exports of coal;

(vi) That His Majesty's Government should only concur in a proposal for an embargo on the export of essential materials to Italy at the request of other Member States;

(vii) That His Majesty's Government should be prepared, in agreement with other Member States, to prohibit the sale or chartering of ships to Italy;

(viii) That His Majesty's Government should not accept proposals for the suspension of postal communications;

(ix) That, so far as possible, agreement should be reached with other Member States as to the details of the operation of any proposals adopted, and not only on the principles.

(b) That the Secretary of State for Foreign Affairs should communicate the above provisional conclusions to the Minister for League of Nations Affairs and should advise him, so far as he might deem necessary of any points mentioned in the discussion which would specially interest him or bear on the interpretation to be given to the conclusions. Among the points which the Secretary of State was asked to mention were the following:

(i) The importance to Italy of the tourist traffic (said to be worth £30 millions a year) from the point of view of the balance of trade. The British Tourist traffic to Italy was believed to have sunk almost to vanishing point and it might be useful for the League to do anything it could further to reduce the international tourist traffic to Italy;

(ii) That if the proposal in Conclusion (a) (ii) should arise at Geneva, the Minister for League of Nations Affairs should reserve it for the Chancellor of the Exchequer;

(iii) That, as regards Conclusion (a)(iii) above, the original proposal of the Sub-Committee had been that His Majesty's Government should be prepared, in agreement with at least France and preferably with other Member States, to impose an embargo on all imports from Italy. The object of this proposal had been to put pressure on other nations to do
the same and, by force of example, to avoid delays. The Cabinet's view was that we should stick closely to the principle of collective sanctions and they had, therefore, amended the Report in this respect;

(iv) That the Cabinet had the gravest doubts about the advisability of provisional Conclusion (iv) above. Something like 60 per cent. of the ports of the world were affected, and to close them to Italian shipping, especially in case of bad weather, would be very provocative. The Admiralty had pointed out that all these sanctions increased risks to peace and, consequently, put a strain on the naval forces in the Mediterranean, and both they and the President of the Board of Trade would prefer that the proposal not to allow Italian merchant ships to make use of League ports should not be adopted;

(v) That in regard to Conclusion (v), we should not agree to impose an embargo on exports of coal to Italy unless corresponding action was taken by other States concerned in coal exports and by Member States such as Roumania who were concerned in exports of oil. The idea of agreeing to an embargo on coal exports as an example and an inducement to Roumania to withhold oil did not commend itself to the Cabinet. Although coal exports to Italy had fallen owing to Italy's inability to pay, it had to be remembered that an embargo would put more miners out of work. It would also involve a proclamation, and the increase in unemployment would be laid at the door of the Government. Importance was attached, therefore, to the presentation of the embargo on coal, and the Cabinet felt it would be of advantage if it could be accomplished in some manner without a proclamation;

(vi) That the imposition of the sanctions mentioned in these conclusions must be subject to the co-operation with the League of non-Member States.

(c) That the idea of withdrawing Diplomatic Representatives from the capital had, in the past, proved futile and embarrassing, and an obstacle to re-establishing diplomatic communication when the proper time arrived. This form of sanction, therefore,
did not commend itself to the Cabinet who asked the Secretary of State for Foreign Affairs to notify their view to the Minister for League of Nations Affairs;

(d) That as regards Conclusion (a)(iii) above, the Departments concerned should be authorised to proceed with the drafting of the necessary orders and arrangements.
7. The Cabinet had before them a Note by the Secretary (C.P.-187 (35)), prepared under instructions of the Prime Minister, informing the Cabinet of the present position of Inquiries on Defence Requirements.

The Prime Minister said that he had instructed the Secretary to prepare this Note in order that the Cabinet might be fully informed as to the position. The Defence Requirements Committee hoped to be able to report before the end of the present month, and their Report, with the Recommendations of the Subcommittee on Defence Policy and Requirements, would in due course come before the Cabinet.

The Chancellor of the Exchequer said that as the subject of Defence Policy had hitherto been dealt with by Committees, he was glad that the Cabinet had been informed as to the position. He himself wanted to be sure that he and some of his colleagues, in alluding to the subject in public speeches, were interpreting the views of all their colleagues. After recalling the various stages of Defence Requirements he mentioned that a position had been reached a few weeks ago when the Committees felt that the programmes for the Navy and the Army, in particular, which the Cabinet had allowed to fall behind the Royal Air Force, required speeding up. Finance had been the governing reason for the two older Services falling behind, but now the state of the world was such that financial considerations might have to be reviewed in a different light. He then gave some particulars as to the methods by which an increased programme might be financed, and asked his colleagues, in making speeches, to avoid any suggestion of a Loan.
The Secretary of State for Foreign Affairs asked that Ministers speaking on Defence Requirements should be careful to keep within the framework of our international peace policy and the desirability of cutting down the standard of international armaments whenever that might be possible should not be overlooked.

The Cabinet took note of the Secretary's Report attached to C.P.-187 (35), and more particularly of the last paragraph stating that the Sub-Committee hoped to submit a Report before the end of the month.

The procedure initiated by the Sub-Committee on Defence Policy and Requirements, which was now being carried out by the (Official) Defence Requirements Committee, was approved.
6. The Cabinet had before them a Note by the Minister of Labour (C.P.-185 (35)) recommending the ratification of the Draft Convention regarding Benefit or Allowances to the Involuntarily Unemployed, which had been adopted at the Eighteenth Session of the International Labour Conference held in June, 1934. Accompanying the Draft Convention was a Recommendation, which, unlike the Convention, need not be accepted or rejected without qualification. The Minister of Labour therefore proposed, in agreement with the Treasury, the Dominions Office and the Home Office (for Northern Ireland), acceptance of the Recommendation subject to certain reservations suggested in his Memorandum, relating to points not in accordance with present policy.

The Cabinet approved the recommendations of the Minister of Labour set forth in C.P.-185 (35).
NEXT MEETING
OF CABINET.
—
THE COAL
MINING
INDUSTRY.

9. The Cabinet agreed —

To hold a Special Meeting on
Tuesday next, October 15th, at
4 p.m., for the purpose of con-
sidering the Interim Report by
the Committee on the Organisation
of the Coal Mining Industry (C.P.-160
(35)).

(Previous
Reference:
Cabinet 44
(35), Con-
cclusion 4.)

F.R.
46(35).

2, Whitehall Gardens, S.W.1.
October 9, 1935.