Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on MONDAY, 2nd DECEMBER, 1935, at 3.0 p.m.

AGENDA.

THE ITALO-ABYSSINIAN DISPUTE.

(Reference Cabinet 49 (35), Conclusion 3).

Note by the Secretary, covering extract from the 14th Minutes of the Sub-Committee on Defence Policy and Requirements.

C.P. 230 (35) - to be circulated.

Note by the Secretary of State for Foreign Affairs, covering Resolutions adopted by the Committee of Eighteen.

C.P. 208 (35) - already circulated.

Memorandum by the Secretary of State for Foreign Affairs and the Minister for League of Nations Affairs on the proposed embargo on oil supplies for Italy.

C.P. 212 (35) - to be circulated.

Records of conversations with General Garibaldi.

C.P. 225 (35) - already circulated.

(Signed) M.P.A. HANKLEY,

Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.,

28th November, 1935.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on MONDAY, 2nd DECEMBER, 1935, at 3.0 p.m.

PRESENT:

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

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


The Right Hon. A. Duff Cooper, D.S.O., M.P., Secretary of State for War.

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


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

The Right Hon. Anthony Eden, M.C., M.P., Minister for League of Nations Affairs.

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


1. The Prime Minister reminded his colleagues of the importance of Ministers being well represented on the Front Bench during the Debate on the Address on the morrow. An empty Government Bench, he added, created a particularly bad impression on new Members.
2. The Cabinet had before them the following documents relating to the Italo-Abyssinian dispute:

- Extracts from the Most Secret Minutes of a Meeting of the Sub-Committee of the Committee of Imperial Defence on Defence Policy and Requirements, held on November 23rd (CP.-280 (35)), circulated to the Cabinet by direction of the Prime Minister.

- A Note by the Secretary of State for Foreign Affairs (CP.-289 (35)) circulating (in continuation of CP.-280 (35)) Proposals adopted by the Committee of Eighteen at Geneva on the 2nd and 6th November in connection with the application of sanctions to Italy.

- A Joint Note by the Secretary of State for Foreign Affairs and the Minister for League of Nations Affairs (CP.-212 (35)) circulating a Memorandum drawn up in the Foreign Office on the question of the imposition of an embargo on oil supplies for Italy, and suggesting the attitude to be taken by His Majesty's Government in the light of the situation described therein.

- A Note by the Secretary of State for Foreign Affairs (CP.-225 (35)) circulating to his colleagues records of conversations the Permanent Under-Secretary of State and himself had had with General Garibaldi on November 25th and 26th respectively, to which was annexed tentative conditions under which Italy would be prepared to cease hostilities and come to Geneva again to lay her case before the League of Nations.

(The Lord Chancellor, who had an unavoidable public engagement, had communicated his views to the Prime Minister and Foreign Secretary, and some of them were mentioned to the Cabinet by the latter.)

The Secretary of State for Foreign Affairs said that the question of an embargo on oil against Italy raised a number of very difficult issues.

First, the risk of a "mad dog" act by Signor Mussolini and its consequences. Second, the future of sanctions and, with them, of the League, and, incidentally, the credit of His Majesty's Government.

As regards the risk of a "mad dog" act there were two considerations that could not be ignored.
First, he had received a number of alarmist reports from different Capitals tending to show that Signor Mussolini would regard an oil embargo as rendering defeat inevitable, and might use it as a pretext to get out of his difficulties by attacking the British in the Mediterranean, even though it was tantamount to suicide. Second, there was the question of the serious gaps in our system of Imperial Defence, which were in a weak state as compared with an Italy mobilised for war. This had been emphasised at the Meeting of the Defence Policy and Requirements Committee and in a Report he had read on the priority of defensive needs. That was a subject to which he wished to return on another occasion, namely, to enquire whether it would not be possible to speed up the replacement of our deficiencies. Neither of the above points, however, could be ignored. We ought not to under-rate the risk: but neither should we over-rate it. In these reports there was much Italian propaganda and it was obviously to Signor Mussolini's interest to make the danger appear as terrible as possible. Particular cases had been brought to his notice which were clearly Italian propaganda. In addition, some account ought to be taken of what Signor Mussolini had himself said on the subject, to the effect that he would meet economic sanctions with economic measures and not regard them as a casus belli. Only a day or two ago the Press had been told in Rome that an oil embargo would be regarded as an unfriendly act but not a casus belli. He had also just received information that members of Lloyds had undertaken large insurances on behalf of Italian Companies covering a considerable period. It was unlikely that these Companies would have risked the loss of their money which would occur if war resulted. To this must be added that at the moment there was a regular
barrage of moves for peace on behalf of Italy, by Signor Cerruti in Paris, Signor Suvieh in Rome, and General Garibaldi in London (who had now been disowned by Signor Brandi, though there was no doubt that he came from Signor Mussolini), and, last of all, by Signor Grandi himself, who, after a long period of gloomy vaticination, had now become an enthusiast for peace negotiations.

He summed up this part of his remarks by saying that oil increased the risk of a "mad dog" act, but there was no reason to get in a panic about it, particularly in view of some considerations to which he would return later. Nevertheless, it was very necessary to take precautions.

That raised his second point, namely, the effect of present events on our attitude towards sanctions and collective security. Whatever some members of the Cabinet might have thought in the past on the subject of sanctions, there was no doubt that the economic effect of sanctions on Italy had already been great. The psychological effect had probably been even greater. The various countries concerned had provided a more solid front than we had reason to expect, subject, of course, to one or two known exceptions. As to oil, the oil sanction had been agreed to in principle unanimously by the Committee of Eighteen on November 15th, subject to further enquiries about the United States attitude. He recalled that the Cabinet had agreed to it on October 9th in these words:

"(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."

He proposed to ignore coal for the moment. Since then the Member States producers of oil had expressed
their readiness to co-operate. Russia and Roumania had written in this sense to the League, and the Dutch had informed our Minister at The Hague that they were prepared to co-operate. In reply to a question the Secretary of State said that the Russian reply was dependent upon the co-operation of other producing countries. The French, though they were not producers, had expressed readiness to co-operate. The attitude of the United States of America had been defined in Mr Cordell Hull's speech of November 15th, where he had said—

"This class of trade is directly contrary to the policy of this Government as announced in the official statements of the President and the Secretary of State, as it is also contrary to the general spirit of the Neutrality Act."

Since then much public pressure had been brought to bear upon the Oil Companies, who were unpopular in and America; probably President Roosevelt had gained some popularity in pressing them. It might be said, therefore, that all the Member States of the League except ourselves had expressed their willingness to support the oil sanction, and of the non-Member States the only one that counted was bringing pressure to bear on the firms. Until we gave our answer we were in a difficult position. Iran was the third supplier of oil to Italy, and in the case of motor-spirit, second. His Majesty's Government had the largest holding in the Anglo-Iranian Oil Company. A very active propaganda had started against us in the United States and France for our failure to define our position, and we were reproached that we led in sanctions until the moment when our own interests were affected.

The Secretary of State then made his own recommendations to the Cabinet, which were as follows:

(1) On no account should we adopt a negative attitude to what we had already accepted on October 9th and
November 29th, or give any appearance of refusing our part in genuine collective action, provided that action was not going to be futile. Having taken the line that we have, and having fought the Election on it, incidentally, any other course of action would, in his view, be disastrous and indefensible. Oil was obviously an effective sanction. The more effective it was the more should we be placed in an indefensible position if, having supported what many people thought were ineffective sanctions, we now opposed an effective one. The Lord Chancellor had taken that view. Rather to his surprise, he had learned that the Governor of the Bank of England was favourable to strong sanctions, on the ground that they would bring the matter to a head rapidly and that a long-drawn-out application of sanctions would bring about a serious situation. He had received a message from Sir Austen Chamberlain, who had had a talk with M. Herriot. The latter had been very definite to the effect that we ought to go ahead with the oil sanction and that the firmer the British Government was the stronger would be the support we should get from French public opinion. His view was that M. Leval and Paris opinion against sanctions was not representative of France.

(2) We must, however, take every possible precaution, as follows:

(a) (military). As the Defence Policy and Requirements Committee had said, we must at once clear up the position with France. He had taken action in this matter, with some doubts in his mind as to the result. The question had been put by His Majesty’s Ambassador in Paris very explicitly, as to whether we could count on France to assist us if attacked, and whether, in that event, she would regard herself as in a state of war with Italy.
M. Laval’s answer had been a categorical affirmative. Better still, he had repeated this very straight to the Italian Ambassador in Paris. No assurance could be clearer than the one we had received. Some people, however, might think that M. Laval’s assurance was insufficient as French public opinion would not face the possibility of a war with Italy. He suggested, however, that so long as we were on friendly and intimate terms with France we were bound to accept their assurances. The Lord Chancellor, he noticed, supported this opinion.

At the same time we must check the efficacy of the French undertaking by adopting M. Laval’s own suggestion to extend the discussions which had begun between Naval Experts to the Army and Air Staffs.

The time would also come when we ought to ascertain definitely the position of other Naval Powers. Discussions with the King of Greece had revealed that there were not likely to be many difficulties in the use of a Greek port. The question had already been tentatively raised with representatives of Yugoslavia and Turkey, but these ought to be followed up in order to ascertain definitely what they were prepared to do. In addition, we must do everything possible to expedite our own programme of re-equipment.

(b) We must also test the position with the United States of America. We already had the strong moral support of the United States Government. Nevertheless, oil exports to Italy from America in the Quarter ending September were 96,000 tons as against 34,000 tons in the previous year, and probably more had been purchased. If an oil embargo were adopted the position would have to be watched, and if American exports to Italy continued high
the position might have to be re-considered. Incidentally he understood that approaches had been made to the oil trade in England to see if some pressure could be brought to bear on the American Companies to agree to avoid an excess of exports, and perhaps the Chancellor of the Exchequer could inform the Cabinet as to the result.

(c) We must press on with the peace negotiations as rapidly as possible, with a view to bringing the conflict to an end. Mr Peterson, of the Foreign Office, was now in Paris engaged on conversations. Not much progress had been made as yet. He himself, however, had to go away for reasons of health for a short time, and he proposed on his journey to see M. Laval and to try and press on peace talks with him. In addition, Signor Grandi was about to return to Rome, and he proposed that before he left he should be given some idea of our attitude on the subject. Later in the discussion the Secretary of State explained that the Italians were anxious to know our views directly, even if they were not acceptable, instead of getting them second-hand through Paris. But we must avoid giving any impression of weakening in support of sanctions. He was in some doubt as to whether sanctions ought to be brought in at once when the League Committee met, or whether, to give a better chance to the peace conversations, the fixing of the date should be adjourned for decision at a later meeting. The issue was whether it might not be better to keep the prospect of an oil sanction hanging over Signor Mussolini's head rather than to fix the date at once, in which case, as Signor Mussolini's own agents represented, he would become much more intransigent. On the whole, he thought the issue depended on the prospect of the peace talks. If the discussions were going well — and later in the Meeting he
expressed the view that at first this was likely to be the case — the League Committee might meet and be told that the peace talks were going on satisfactorily and that for that reason we and the French were not asking for the immediate imposition of an embargo. On the whole, he thought that if the talks were going well it would be wise to proceed with the embargo by two stages. There was a great deal to be said for this breathing-space, provided that it did not (1) embitter the United States of America and increase the difficulties of the American Secretary of State in controlling exports; or (2) break down the sanctions front. As regards (1) he mentioned a telegram he had sent on the previous Saturday to His Majesty's Ambassador in Washington, which had been circulated to the Cabinet. The Ambassador had not yet seen the American Secretary of State. If the American reactions were bad, it might be necessary to reconsider the suggestion of the two stages, as it was essential to have no misunderstanding with America in this matter.

Summing up his suggestions, the Secretary of State for Foreign Affairs proposed:

(1) To go ahead with the oil sanction on the lines he had proposed;
(2) To take the precautions he had suggested;
(3) To go ahead with the peace talks; and
(4) Provided the prospects were satisfactory, to leave the date of application of sanctions.

In reply to various questions the Secretary of State for Foreign Affairs amplified his statement in some details. All he proposed to give to Signor Grandi was a framework of our own ideas on the subject. As regards the oil sanction, M. Laval had already agreed to it in principle. Most nations had
agreed, except ourselves. Consequently, the procedure at Geneva on the subject was likely to be rather brief. Signor Mussolini was expecting the date of the oil sanction to be fixed at Geneva next week. If there were a postponement this would be such a relief to him that he was unlikely to take precipitate action in consequence of a mere confirmation of a principle already accepted.

The statement of the Secretary of State for Foreign Affairs was followed by a general discussion, in the course of which the Prime Minister invited the opinion of every member of the Cabinet. There was general agreement on the Secretary of State’s proposal, if possible, to divide the application of the oil sanction into two stages, the principle being confirmed at the first, and the date left to be settled at the second stage if in the meantime no settlement had been reached.

The First Lord of the Admiralty and the Secretary of State for Air gave the Cabinet highly secret particulars of the state of preparedness of the Fleet and the Royal Air Force in the Mediterranean area. (Particulars are on record in the Cabinet Office in connection with C.P.-220 (35)). The gist of these statements was that, although there was no doubt that the Fleet was strong enough to obtain command of the Mediterranean, we might sustain serious losses, since our forces were not in a proper state of readiness for war in a land-locked sea. Economic sanctions had been built up behind the strength of our Mediterranean Fleet, and if our weaknesses were known some of the nations supporting sanctions might show less alacrity. The reaction of possible hostilities in the Mediterranean on our Imperial Defence position in other parts of the world was emphasised. The defences of Singapore were still incomplete, and our position in the Far East depended on the British Navy.
So long as the Fleet was tied up in the Mediterranean the position would be difficult.

The air position in the Mediterranean was even worse than that of the Fleet, as, although when all the forces in the Near East, including the Fleet Air Arm, were added together we had numerical parity, the Italian machines had a better performance, particularly as regards long-range bombers and perhaps fighters. Our personnel, however, was superior. Although our air forces would act in some respects on interior lines, we were liable to attack from different quarters at the same time, so that it was difficult to intercept bombing attacks. Under present plans no anti-aircraft guns would be available for the defence of Alexandria. The Air Force could therefore only do the best it could to act in support of the Fleet and to attack the hypothetical enemy in Libya. In the matter of the output of machines and ammunition it was impossible to increase the rate of production. The only thing that could deflect an Italian air attack would be to attack the Italian bases and North Italy. That depended on complete co-operation by France. We should require not only facilities for our own aircraft but active co-operation by the French Air Force in attack and defence against counter-attack. Some assistance in the matter of supply would be required from the Army.

It was pointed out that if we suffered losses, whether in the Fleet or the Royal Air Force, we should lower the datum point from which the expansion of our forces (as dealt with in the Report of the Defence Requirements Committee) would start. From the Naval and Air point of view, therefore, it was represented that our defence forces and defences in the Mediterranean were not in a proper condition for war, and from this point of view it was urged that an effort
should be made to obtain peace, holding the threat of
the oil sanction over Italy, and that the fixing of
the date should not be decided until after a failure
of peace discussions.

It was also strongly urged, from the point of view
of the Defence Services, that no decision to apply
sanctions should be taken until effective co-operation
by France had been secured, in accordance with previous
Cabinet decisions.

The Secretary of State for War thought that it was
easy to exaggerate the importance of the shortage of
anti-aircraft ammunition, as the effectiveness of
anti-aircraft guns was doubtful, and there were
occasions when clouds, and so forth, rendered them
of little value. He was fairly satisfied as to the
rapid increase that was being made in the production
of anti-aircraft ammunition. As regards the date,
postponement for a few weeks or a month was not going
to make much difference in our state of preparedness.
We also made some comments on the policy to be adopted,
which are included in the general summary which
follows.

One suggestion made in the course of the discussion
was that if the result of oil sanctions was to produce
war it would break the League of Nations, since
no-one would support a League which not only failed to
stop the war but actually extended it.

A suggestion was made that instead of taking a
decision at Geneva on December 12th in favour of an
embargo in principle and publishing it without
naming the date, which would put Signor Mussolini in
a difficult position of being asked to climb down under
duress, it might be better to prolong the discussion
at Geneva pending the ascertainment of what action
was going to be taken elsewhere, and meanwhile, in
conjunction with France, to warn Signor Mussolini
that the oil sanction could not be held off much longer. It was explained, however, that almost all the Governments had already committed themselves in principle to the oil sanctions, as had most other nations except ourselves, and that the only thing to be done was to settle the date.

It was pointed out that the political situation had gone far beyond our own military situation, and that if Signor Mussolini were to take action it would not be a mere "mad dog" act but based on some real plan. If he were forced to make a complete surrender he would probably disappear from Italian politics and there might be a Communist Government in Italy and a complete alteration in the whole European situation. In the circumstances mentioned by the Defence Ministers we ought not to face hostilities unless they were absolutely forced upon us. We ought to do everything possible to show our disinterestedness in the whole of this question -- though many people did not believe it -- and point out that for us sanctions had one object, that we were concerned so much with the re-distribution of Abyssinian territory as to remove from Europe the danger of aggression. The First Act in this drama showed Signor Mussolini as the principal figure on the stage. At the end of the First Act he would disappear; but the Second Act might show Herr Hitler on the stage, and we could not dissociate our present difficulties in the First Act from the Second Act. If the malignant influences in the present position remained intact we should have to face up to them later in another episode. It was urged, therefore, that we should make clear that it was not the dispute between Italy and Abyssinia that specially interested us, but rather the dispute between the League and an aggressor.

Another point made was that the position would be worse in the future if, having attempted sanctions, sanctions failed.
As regards the United States, it was pointed out that we need not pay too much attention to their position as they were actually increasing heavily their export of oil to Italy. Moreover, it was possible to purchase their co-operation at too high a price. They must realise that we had to consider our own security, their own position being unaffected in this respect.

A point strongly urged was that if sanctions were adopted at all they should be brought to the maximum efficiency in order to bring the crisis to an end as soon as possible. The longer sanctions continued, the greater the danger of a break in the common front. It had to be borne in mind also that oil sanctions hit the armies, whereas the imports sanction hit the civilian population. It was urged that press information as to Italian purchases of oil in Suez, for example, and other examples would be brought up at Geneva and make our position very difficult if we did not agree to the application of the oil sanction.

Some members of the Cabinet thought the risk of an Italian aggression to be remote. Italy had given hostages to fortune. In the event of war her armies in Abyssinia and Libya would be in a precarious position with their communications cut. On the other hand, the Cabinet were given secret information which indicated that the Italian threats of an active retaliation to an oil embargo had been implemented by actual preparations.

The Minister for League of Nations Affairs urged strongly that if he was asked to do all he could to obtain a postponement in the date of
sanctions he must be instructed on no account to break the common front. He had received information from Geneva that when the Committee of Eighteen met December 21st was likely to be proposed for the imposition of the oil sanction. If there were good a prospect of a result from the peace talks, it might be possible to obtain a postponement of the date, but if the prospects were not good he asked that he might not be given instructions to work for two stages.

It was suggested that it would not be wise to adopt the oil embargo as a threat unless we were prepared to implement it.

From the point of view of British trade, the Cabinet were asked to realise that sanctions were involving very serious loss, and representations were constantly being made to the Board of Trade by the various trade organisations to this effect. That justified, not the wiping out of sanctions, but great caution where British trade was concerned. The Cabinet were reminded that Sanctions I, II and III had been agreed to because they would put pressure on Italy with the least possible cost to trade. The proposed Sanction IV was leading us further down the path. It was impossible to turn back but the proposed oil embargo made the position very serious. As regards the United States of America, their oil importation into Italy during the last six months had been prodigious and was increasing every week. This importation was not carried out only by the Standard Oil Company but also by the independent companies. Although
the oil trade was unpopular in America these companies were politically powerful. Consequently a great deal of oil was likely to continue to go into Italy. If that happened it would not in fact be possible, as had been suggested, for the League to retrace its steps, because no-one would like to say that America's failure to control the situation exonerated other nations from furnishing oil to Italy. From a trade point of view a long-drawn-out period of sanctions was the worst condition of all. A reverse in the Mediterranean would cost us less than twelve months of sanctions. The real question for decision was whether we were proceeding in the right way. Signor Mussolini as yet had shown no signs of weakness. Possibly he was thinking more of Egypt than of Abyssinia; more of Alexandria than of Malta. The gap between our foreign policy and the state of our defence forces and defence was too wide. The Cabinet ought to give the greatest consideration to the grave observations of the First Lord of the Admiralty and the Secretary of State for Air and their warning of the possibility of serious losses, for if we proceeded with the oil sanction and it brought about a serious reverse, the public would not easily forgive the Government, especially when the serious warnings of the Defence Departments became known.

Towards the end of the Meeting it was pointed out that there was practically no difference of opinion on what should be done, but only on emphasis. There appeared to be general agreement that we should not decline to take part in an oil embargo, provided that other countries were prepared to go on with it. As to the method, the question at issue was whether we should urge the application of sanctions at once.
or after an interval in which to try and promote a peaceful settlement. The United States held the key to the position. Their output of oil was so large that they could render the withholding of produce of other countries of no avail. If at the present time the United States action was not supported, the President's strong policy would be stultified and he would refuse to give further co-operation. In this situation it had been thought wise to consult the Chairman of the Anglo-Iranian Oil Company who had promised to get in touch with the Chairman of the Standard Oil Company. Sir John Cadman had reported that it was not possible to obtain an informal bar on the supply of oil to Italy, in other words, a voluntary arrangement, unless the League applied an embargo. He was satisfied, however, that the companies would be willing not to increase their supplies to Italy. He thought also that public opinion in America would enable the President to check the export of oil. Finally, Sir John had expressed the view that an embargo on oil would be an effective sanction.

The object of an oil sanction was to stop war. If the war could be stopped by making the peace that would be better. That ought to be tried, therefore, if there were a reasonable prospect of success. The question at issue was whether an oil sanction would contribute towards a peaceful solution or make Signor Mussolini more intransigeant. From this point of view the right course appeared to be that proposed by the Secretary of State for Foreign Affairs, namely, that if the peace talks showed a reasonable prospect of success, the oil
sanction should be postponed and the true reason
given. If Signor Mussolini was intransigent
the League ought to face up to the risks. After
M. Laval's definite statement Italy would find
herself opposed by all the other countries and an
aggression on her part would mean suicide. Signor
Mussolini was so all-powerful that he could make
his people believe that a peaceful settlement
was a successful issue. On the other hand, in
other countries it would be said that but for the
oil sanction he would have obtained a good deal
more and, consequently, sanctions would remain a
deterrent in the future. The suggestion was
supported, therefore, that if peace discussions held
out reasonable prospects of success, the oil
sanction should be postponed, but that if they opened
up no prospects of success, the sanction must be
imposed in spite of the risks. In the meanwhile,
it was urged that the interval before the meeting
of the League should be employed to push on as
rapidly as possible with peace talks.

The Cabinet were reminded of the remarkable
unanimity between the Dominions and the Mother
Country on the question of sanctions, and it was
urged that in order to maintain this common front
there should be an early meeting with representatives
of the Dominions in London as soon as the decision
had been taken. The Cabinet were informed
that the High Commissioners had already been sounded
informally as to the line proposed by the Secretary
of State for Foreign Affairs and that it was
likely to meet with their approval at the proposed
meeting. The proposed meeting was generally agreed to.
A suggestion was made that the position of the United States of America should be cleared up, in order to avoid the misunderstanding in which efforts to work with Washington so often resulted. The most disquieting features in American policy were, firstly, their attempt always to keep a step ahead of the League of Nations. They might have another bright idea next week, and we ought to give a hint that at the moment we did not want additions to sanctions. Secondly, the President was acting while Congress was out of session, which enabled him to take the high moral line with success. But if Congress were to refuse to support the President his position would be undermined. A paradoxical point was that, under the Neutrality Law, if Congress were to add exports to what the President was entitled to withhold and Signor Mussolini perpetrated an aggression, we should also have American supplies withheld from us. It was suggested that these doubts ought to be put frankly to the United States, but the Secretary of State for Foreign Affairs thought this would be premature. If there were a great fall in the amount of exports in the next month we should have got what we wanted, and it was desirable to avoid any issue between Congress and the President.

Another suggestion was that, pending the fixing the date at Geneva, we should try and secure general agreement that no nation would increase its normal exports to Italy. This would facilitate the policy of postponing the date of the embargo. This was agreed to, as was a further suggestion that the President of the Board of Trade, in consultation with the Secretary of State for Foreign Affairs, should at once see representatives of the Anglo-Iranian and Shell Oil Companies (which controlled all British
oil concerns as subsidiaries) with a view to securing action by this country on these lines.

After emphasis had been laid on the importance of a success to the League of Nations, especially as a warning to Germany, the discussion reverted to the possible effect of sanctions on Signor Mussolini. It was suggested that if the peace talks failed and sanctions were applied, Signor Mussolini would see that he was bound to be beaten. In that event he might decide that he would not yield to the League of Nations and attack this country in order to avoid that necessity. In this connection the question was raised as to whether we had really made satisfactory and binding arrangements with France. Until such arrangements had been made it was urged once more that we ought not to fix the date of the oil sanctions. If the negotiations showed that France was not willing to co-operate, the whole matter would have to be reconsidered.

The Secretary of State for Foreign Affairs agreed to this.

So far as the French Navy was concerned, however, the Cabinet were informed that we could hardly avoid accepting the unsatisfactory situation vis-à-vis France. Although the French port defences could not be manned without mobilisation, we could hardly ask France to mobilise when we had not done so ourselves. It was generally accepted, however, that we ought to go ahead at once with the military conversations and clear the whole matter up.

The Secretary of State for War said that the General Staff were somewhat doubtful as to the necessity of military conversations. The Cabinet were informed, however, that they were important from an Air point of view.
The suggestion was made that a week was a very short time to establish whether the peace conversations were going well or not and to clear up the military position. It was hoped that the Foreign Secretary would take a generous view of the Italian attitude.

The Secretary of State for Foreign Affairs agreed that the peace talks must be given the best possible chance.

A suggestion was made that, in the event of the peace conversations holding out reasonable prospects of success, the French Delegate at Geneva should be asked to take the initiative in proposing an adjournment of the decision on the oil sanction.

Some discussion took place as to the best procedure for the further military conversations with France. The Secretary of State for Foreign Affairs thought it would be best for him to open up the subject with M. Laval when he saw him on Saturday, December 9th, but the question was left open.

It was suggested, however, that this hardly allowed sufficient time before the meeting of the Committee of Eighteen at Geneva on December 12th, before which time the Cabinet wished to be clear on the subject.

The Secretary of State for Foreign Affairs pointed out, however, that the main difficulty was that the French Government was so pre-occupied with their internal political troubles that it would be difficult to begin conversations in any event before December 5th. On the whole, therefore, the Secretary of State's suggestion was adopted, on the understanding that he would press the matter forward as rapidly as possible.

The Prime Minister said that on broad lines there was general agreement, as proved by the discussion. If by any chance hostilities should arise out of these
events the situation for the Government would be a bad one unless everything possible had been done to avoid them, especially when the detailed facts of our defensive preparations became known. If that occurred in dealing with Signor Mussolini, no-one would be willing to tackle Herr Hitler. Consequently if, at the next meeting of the Committee of Eighteen, the date could be postponed and time could be gained for peace talks with a view to working arrangements and for enquiries as to whether the oil sanction could be made effective, it would be all to the good. If the claim that had been made that sanctions meant war proved by experience to be true, it would be a disaster of the first magnitude. It had to be remembered that in dealing with Signor Mussolini we were not dealing with a normal kind of intellect. He thought, however, that the Cabinet was right in supporting the Foreign Secretary's proposals, but he hoped that the Cabinet would have an opportunity to re-examine the position in the light of the latest developments if the peace talks did not hold out a prospect of success. It had to be remembered that it was this country that would have to withstand the first shock of an Italian forcible reaction to sanctions. He himself was not willing to be committed at this moment to the 21st December as the date of the application of oil sanctions.
The Cabinet agreed —

(a) That in principle the continuance of the policy adopted on October 9th (Cabinet 45 (35), Conclusion 6 (v)) should be approved, namely, to join in an embargo on exports of oil provided that other oil-producing or supplying Member States were prepared to do so, but that every precaution must be taken to safeguard our security:

(b) That in applying this policy we should aim at securing a decision as to the date in two stages, with a view to giving time for the negotiation of a peaceful settlement, if possible:

(c) That in the meanwhile the Secretary of State for Foreign Affairs should initiate the following action:

(i) Pressing on by every useful means with discussions with the countries concerned, with a view, if possible, to a peaceful settlement:

(ii) An early continuation of the military conversations which had already begun between the Admiralty and the French Ministry of Marine, and which should now be extended to the Air Force and, if necessary, to the Army, on the lines which the French Government themselves had suggested, for ensuring full co-operation between the Naval, Military and Air authorities of the two countries:

(iii) Similar conversations with other Mediterranean Powers at the appropriate time and place:

(iv) Further to test the attitude of the United States of America and the probability of effective action being taken in that country to stop the supply of oil to Italy:

(d) That if the conversations with a view to a settlement were found before December 12th to afford reasonable prospects of success, the Committee of Eighteen at Geneva, at its meeting on December 12th, should be asked preferably by the French as well as the British Delegate, to postpone fixing the date until a further meeting (a preference was expressed for French initiative):
(e) That the Secretary of State for Foreign Affairs should bring the question back for consideration by the Cabinet in either of the following circumstances:—

(i) If the peace talks did not offer any reasonable prospect of a settlement:

(ii) If the military conversations showed that France was not willing to co-operate effectively:

(f) That, pending the decision on the date of the application of the oil sanction, the Secretary of State for Foreign Affairs should take such steps as he thought fit to secure that the nations exporting oil should limit their exports to Italy to their normal figures:

(g) That the President of the Board of Trade should ask the Anglo-Iranian and Shell Oil Companies whether they were willing to co-operate in applying Conclusion (f) above, and inform the Secretary of State for Foreign Affairs of the result of his enquiries:

(h) That the Secretary of State for Dominion Affairs should arrange for an early meeting of the representatives of the Dominions in London with a view to securing their agreement in the above policy.

2, Whitehall Gardens, S.W.1,
December 2, 1935.