AGENDA

1. FOREIGN AFFAIRS.
   (a) The Five-Power Conference (If required)
       (Reference Cabinet 75 (36) Conclusion 2)
   (b) The Situation in Spain
       (Reference Cabinet 75 (36) Conclusion 3)
       Memorandum by the Secretary of State for Foreign Affairs.
       CP. 6 (37) - already circulated.
   (c) Italian Wheat Imports
       Memorandum by the Secretary of State for Foreign Affairs.
       CP. 5 (37) - already circulated.
   (d) The Supply Of Arms to the Belgian Army
       Memorandum by the Secretary of State for Foreign Affairs.
       CP. 8 (37) - to be circulated.

2. THE IRISH FREE STATE CONSTITUTION.
   (Reference Cabinet 75 (36) Conclusion 5)
   Memoranda by the Secretary of State for Dominion Affairs.
   CP. 4 (37) - to be circulated.
   CP. 4A (37)

3. THE PALESTINE SITUATION.
   (Reference Cabinet 62 (36) Conclusion 8)
   Memorandum by the Secretary of State for the Colonies.
   CP. 1 (37) - already circulated.
4. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

1st Conclusions (37) of Committee of Home Affairs - to be circulated.

(1) The Harbours, Piers and Ferries (Scotland) Bill.
   (Reference Cabinet 58 (36) Conclusion 9)
   Memorandum by the Secretary of State for Scotland covering draft Bill.
   H.A. 1 (37) - already circulated.

(2) The Public Records (Scotland) Bill.
   (Reference Cabinet 73 (36) Conclusion 12)
   Memorandum by the Secretary of State for Scotland covering draft Bill.
   H.A. 2 (37) - already circulated.

(3) The British Shipping (Continuation of Subsidy) Bill.
   (Reference Cabinet 62 (36) Conclusion 13)
   Memorandum by the President of the Board of Trade covering draft Bill.
   H.A. 3 (37) - already circulated.

(4) The Merchant Shipping Bill.
   (Reference Cabinet 64 (36) Conclusion 7)
   Memorandum by the President of the Board of Trade covering draft Bill.
   H.A. 4 (37) - already circulated.

5. TO TAKE NOTE OF:

THE ROLE OF THE BRITISH ARMY.

(Reference Cabinet 75 (36) Conclusion 6)
Memorandum by the Secretary of State for War.
C.P. 2 (37) - already circulated.

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

Whitehall Gardens, S.W.1.
In January, 1937.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on WEDNESDAY, the 13th January, 1937, at 11 a.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. Anthony Eden, M.C., M.P., Secretary of State for Foreign Affairs.

The Right Hon. Malcolm MacDonald, M.P., Secretary of State for Dominion Affairs.

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

The Right Hon. The Viscount Swinton, G.B.E., M.C., Secretary of State for Air.


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

The Right Hon. The Earl Stanhope, K.G., D.S.O., M.C., First Commissioner of Works.

The Right Hon. The Viscount Hailsham, Lord Chancellor.


The Right Hon. W. Ormsby-Gore, M.P., Secretary of State for the Colonies.

The Right Hon. The Marquess of Zetland, G.C.S.I., G.C.I.E., Secretary of State for India.

The Right Hon. Walter Elliot, M.C., M.P., Secretary of State for Scotland.

The Right Hon. W.S. Morrison, M.C., K.C., M.P., Minister of Agriculture and Fisheries.


The Right Hon. L. Hore-Belisha, M.P., Minister of Transport.

SECRET

COPY NO. 1

CABINET (37).

1. The Prime Minister, with general approval, gave a cordial welcome to the Lord Chancellor on his return after his recent illness.
2. As this was the first meeting of the Cabinet in the New Year the Secretary of State for Foreign Affairs made a brief statement on the international situation. This, he said, was likely to be a critical year in foreign affairs. Many reports reaching the Foreign Office indicated that Germany was unable to face the prospect of another winter in conditions similar to those existing there today. It looked, therefore, as though this year would determine Germany in following a policy alternatively of co-operation or foreign adventure. There were two schools of thought in Germany. The first and more cautious school included the Army, the Foreign Office and, among others, Dr. Schacht. The second and more aggressive school of thought was the Nazi Party. Our object must be to try and restrain the latter. This, he thought, could be achieved by our present policy of being firm but always ready to talk. There was one means by which assistance could be given to the Foreign Office in their difficult task. Anything that would tend to show both our determination to press forward with our armament policy and that the programmes were proceeding satisfactorily would have a steadying effect. For example, if, before Herr Hitler made his statement to the Reichstag on January 30th, the Minister for Co-ordination of Defence (who unfortunately was absent indisposed) could make any encouraging statement on the execution of our programmes it might tell in our favour.

The Lord Privy Seal said that one of the difficulties in the situation arose out of the contrast between the nature of the contacts we had established with the French and German Governments respectively. With France our contacts were very good, and this was satisfactory; but with Germany they were very tenuous. Probably the Foreign Secretary could write privately to M. Delbos, if he wished, without causing any trouble; but he
certainly could not do so to the German Foreign Secretary without arousing all kinds of difficulties. All that seemed to him unwholesome. He would like the Foreign Secretary to consider whether means could be devised to improve our contacts with Germany. In the Spanish affair he thought that the Germans had some justification for their resentment against the sympathy expressed for France in this country and the criticism of Germany.

The Secretary of State for Foreign Affairs said that he did not, as a matter of fact, correspond with M. Delbôs. The official contacts between this country and Germany were the same as those with France. In the Spanish affair he agreed that the French, as well as the Germans, were at fault, and it had not been the Foreign Office aim to blacken Germany in this matter. A distinction between the two Governments, however, was that France had always been ready to stop allowing volunteers to go if other countries would. In the case of the Christmas Eve Note it had been difficult to avoid sending a joint communication with France for the reason that the French Government had wanted to take an initiative themselves. He agreed, however, with the Lord Privy Seal in a desire to improve contacts with Germany.

The Chancellor of the Exchequer pointed out that the difference in the systems of government in France and Germany made closer contacts more difficult. There were really only two people in Germany who counted for much, namely, Herr Hitler and General Goering. He himself had been somewhat horrified by the extent to which volunteers had crossed the frontier from France into Spain. There was, however, a difference between France and Germany in so much as German volunteers were organised and armed, whereas the French volunteers were unarmed.
The Secretary of State for Air said that the Russians were really the counterpart of the Germans and Italians. They had sent a great deal of material to the Spanish Government, and some personnel. It was difficult to get accurate information from Spain, especially from General Franco's side, but he had received a certain amount, some of which was rather encouraging. It was estimated that the Germans and Italians had put about 200 aeroplanes altogether into Spain. He did not know the number of Russian aeroplanes. The Russian Fighters had proved very superior, but, notwithstanding this, he was advised that they were inferior in performance to our "Gauntlet" aeroplane, of which there were large numbers in the Royal Air Force. Moreover, the "Gauntlet" aeroplane was not the last word in Fighters. The Russian Fighters were inferior to our own "Fury" Class. The tactics of the Russians had been described as inferior, which confirmed reports apart from the Spanish affair. Nevertheless, they had established a superiority over the Bombers of the other side. Latterly the Germans and Italians had sent some better Bombers. The German Fighters had not been very good. In fact, his information from Germany was that their new Fighters were only just coming forward, and it was quite wrong to suppose that at the present time the Germans could enter a war with an ultra modern force in this respect. So far as the war in the air was concerned it appeared that it was being fought out not by up-to-date aeroplanes but by machines of a lower order. The Italian Bombers had not been effective in bombing trenches, though of course they had dropped bombs on Madrid with some effect. He had heard no suggestions of any failure in the willingness to attack of any of the foreign personnel in Spain.
The First Lord of the Admiralty recalled a telegram (No. 46 (Saving) from Yugoslavia) reporting a conversation between Prince Paul and the Infante Alfonso, who knew a great deal about aviation in Europe. The Infante had said that the Italians made the best pilots, and that they had brought down 53 French machines compared with 9 Italian machines brought down by the French.

The Secretary of State for Foreign Affairs reported that the information in the Foreign Office confirmed the excellence of the Italian pilots.

Some discussion then took place as to the desires of the Lord Privy Seal for improving contacts with Germany.

The First Lord of the Admiralty pointed out the difficulty of improving matters. It was perhaps almost inevitable that our people tended to look at some of these questions through French spectacles, owing to the close contacts of the Press of the two countries; for example, in the case of volunteering and the alleged German penetration of Spanish Morocco. In the latter case especially almost everyone had believed the stories from French sources, but when enquiries came to be made they had turned out to be almost a maresnest. He thought, however, it was important to keep recent events in mind and to be very cautious in future about accepting such rumours.

The Secretary of State for Foreign Affairs, while agreeing in the difficulties that had been mentioned, said that he was making as much use as possible of the German ambassador, Herr Ribbentrop. The latter would return shortly from Berlin and he would hear more of the position.
The Prime Minister said that he shared the desire expressed by several of his colleagues for improving relations with Germany, and he knew that this was ever present to the mind of the Secretary of State for Foreign Affairs. The difficulties, however, were very real.
3. In the course of the discussion on Foreign Affairs referred to in the preceding Conclusion, a request was made that in this critical year the Cabinet might be given information at rather shorter intervals as to progress with the armaments programme.

The Chancellor of the Exchequer suggested that the information given should be in the form of an estimate of the probable position by a certain date, and that the Minister for Co-ordination of Defence and the Chiefs of Staff Committee might consider the best date.

The First Lord of the Admiralty recalled that a Paper somewhat on these lines had been prepared not long ago for the Committee of Imperial Defence.

The Prime Minister instructed the Secretary to draw the attention of the Minister for Co-ordination of Defence to the desire of the Cabinet for further and more frequent information.
GERMANY.

4. The Secretary of State for Air informed the Cabinet that he had approved the acceptance by certain Officers of the Air Staff of an invitation to visit Germany. This would be in return for a visit paid by certain Officers of the German Air Force last year.
5. The Secretary of State for Foreign Affairs reported that consideration was being given to what could be done to check the despatch of volunteers to Spain independently of the co-operation of the parties to the Spanish struggle. A plan was being worked out between the Foreign Office and the Admiralty. He could reassure the Cabinet that it did not involve independent action by this country. The Non-Intervention Committee had met twice on the previous day and had made good progress, especially at the morning meeting when the co-operation of members had been good. The Committee had formulated a number of questions to the Governments concerned which should elicit the position of the different Governments. At the afternoon meeting, when questions connected with Spanish gold had been discussed, greater difficulties had been encountered.

He had not yet received any reply from the German and Italian Governments to his recent Note. The first reactions in these countries had been favourable. The French were in agreement, but the Russian Government were somewhat non-forthcoming. He could not forecast when the official replies would be received.

The Secretary of State for Foreign Affairs reported that the French Ambassador had recently informed him of the anxieties of the French Government as to German activities in Spanish Morocco. The attitude of the French Press had also been very excitable. Before Christmas he had called for information from our Consular representatives and, on receiving the French information, he had asked for an immediate report.
The Foreign Office had also suggested that "The Times" should send a Special Correspondent. The British Consulate at Tetuan did not confirm the French reports but, just before the end of the year, a German ship had landed war material and personnel at Melilla. The latter were believed to consist largely of airmen. (The Secretary of State for Air interpolated that General Franco's forces were, in fact, being used to bombard ports in the south of Spain from Spanish Morocco.) The German Government had now given definite assurances to the British and French Ambassadors that they had no designs in Spanish Morocco. His own view was that the French attitude had not been justified, but perhaps no harm had been done as the resentment in France would tend to warn the German Government against anything of the kind. It had to be remembered also that German economic activity in Spanish Morocco was very great, and that large amounts of iron ore required for the construction of German armaments were being shipped to Germany.
6. The Cabinet took note of a Memorandum circulated by the Secretary of State for Foreign Affairs (C.P.-5 (37)) showing that the recent large imports of wheat into Italy might be attributed to a considerable extent to the deficiency in the Italian harvest for 1936, to the depletion of stocks during the "sanctions" period, and perhaps to a feeling on the part of the Italian Government that it was undesirable to take any risks in the present uncertain state of international relations.
7. The Cabinet had before them a Memorandum by the Secretary of State for Foreign Affairs (C.P.-8 (37)) reporting that on a number of occasions the Belgian Prime Minister had asked him whether the supply of munitions to Belgium from the United Kingdom could be discussed by the two Governments. The Secretary of State recommended that, on political grounds, the Cabinet should authorise conversations between the Belgian Military Attache and the War Office in order to ascertain exactly what the Belgian request amounted to, and to endeavour in every possible way to meet it. He suggested, with the concurrence of the Secretary of State for War, that the Belgian Military Attache should be invited —

(1) To state the Belgian Government's requirements in detail; and

(2) To explain whether it is a matter of immediate purchases or whether it is a matter of making arrangements now whereby purchases could be made in the event of war.

The Cabinet approved the above proposal.
8. The Cabinet had before them the following Memoranda by the Secretary of State for Dominion Affairs on the subject of Irish Free State Constitutional Legislation:

C.P.-4 (37), circulating for the information of his colleagues the full texts of the two Acts passed by the Irish Free State Dail in connection with the abdication of King Edward VIII. The first Act (Annex I) made a number of important modifications in the Irish Free State Constitution, involving the deletion of all references to the King (except in Article 51, where he is now referred to as an "organ" to be used for certain purposes connected with external relations), and hence the elimination of all his functions in the internal affairs of the Free State, and the abolition of the Governor-General. The second Act (Annex II), which gave legal effect to the abdication of King Edward VIII, contained provisions relating to the execution by His present Majesty of certain functions in relation to the external affairs of the Irish Free State. The effect of the amendments made by the former Act appeared in Annex III.

C.P.-4A (37) circulating copies of extracts from the Official Report of the Irish Free State Dail for the 11th and 12th December.

The Secretary of State for Dominion Affairs recalled that, at the meeting referred to in the margin, the Cabinet had decided that he should ask such questions as he might deem desirable of Mr. de Valera in order to obtain further information. Instead of doing this through official channels, he proposed to take advantage of the presence of Mr. de Valera in London on the morrow to see him personally, after which he hoped to be able to submit a memorandum.

The Prime Minister suggested that the time had come when the matter should be discussed also with the Prime Minister of Northern Ireland.
In a short discussion on the proposal, it was suggested that a consultation with the Prime Minister of Northern Ireland should precede a consultation with the other Dominions, since Northern Ireland was a part of the United Kingdom and it was important not only to ascertain what information they had as to what had occurred, but also their views as to the future and what was to be done. A strong desire was also expressed that the Prime Minister himself should see Lord Craigavon. A suggestion was made that if the Secretary of State for Dominion Affairs were to see Mr. de Valera and the Prime Minister, Lord Craigavon, a good deal of speculation might be aroused.

The Secretary of State for Dominion Affairs said he would do his best to avoid publicity in his conversation with Mr. de Valera, although this would be difficult.

The Cabinet agreed:

(a) To approve the proposal of the Secretary of State for Dominion Affairs that he should see Mr. de Valera, who would be passing through London on the morrow.

(b) That the Prime Minister should invite the Prime Minister of Northern Ireland to visit this country in the near future, and should not only discuss matters personally with him, but should also invite him to the Irish Situation Committee.
9. The Cabinet had before them a Memorandum by the Secretary of State for the Colonies (C.P.-I (37)) circulating an appreciation by the High Commissioner for Palestine of the internal situation in that country, and other correspondence. This appreciation confirmed the view the Secretary of State had formed as to the non-political character of the acts of brigandage which had been taking place, and also as to the improbability of any serious general disorder in Palestine until the Report of the Royal Commission had been received and the intentions of His Majesty's Government, based upon that Report, were made known. He warned his colleagues, however, that very strong action might have to be taken if disorders again broke out after publication of the Royal Commission's report.

Supplementing his memorandum, the Secretary of State for the Colonies reported that, according to Press information, the evidence of the Arab Leaders before the Royal Commission indicated that the Arabs meant to provide the Government of Palestine. There were present three aspirants to govern in Palestine: the Arab Mufti, the Jewish Agency and the British Government. All appeared to agree that, after the publication of the Royal Commission, trouble was certain to arise. The Jews had now obtained some arms and rather resented the suggestion that they had sheltered under the protection of the British Forces during the last rising. The Arabs had retained many arms. It was not likely, however, that the outbreak would arise before Easter. If and when the trouble came, it was necessary to take the most drastic action from the first possible moment.
The Secretary of State for War said that this had always been the War Office view and he hoped that in the event of trouble, the High Commissioner would at once delegate responsibility to the General Officer Commanding.

The Secretary of State for Air said that Air Vice-Marshal Peirse, who had commanded in Palestine at the outset of the troubles, had only recently returned and confirmed that on the publication of the Royal Commission's Report and the Government's decisions thereon, there would be a renewed outbreak. Provided immediate action was taken, he thought that a Division of troops would be sufficient to get the situation in hand.

The Secretary of State for Foreign Affairs suggested that all concerned should be warned of our intention to act drastically.

The Secretary of State for the Colonies recalled that Field Marshal Plumer used to send for the Arab Mufti and warn him that if there were trouble, he would be held personally responsible. He added that his own intention was to keep the Cabinet very fully informed on the developments of the situation.
10. The Cabinet had under consideration a Memorandum by the Secretary of State for Scotland (H.A.-1 (37)) covering the draft Harbours, Piers and Ferries (Scotland) Bill, the objects of which were to secure the maintenance of adequate means of communication by sea, especially in the Highlands and Islands where many Piers were provided by Proprietors of Estates who cannot now keep them in proper repair or by County Councils whose rating powers were now inadequate for maintenance purposes; and to make it easier for Pier and Harbour Authorities to obtain powers (such as were provided for England by the Fishery Harbours Act, 1915) for the construction of new works and other purposes. Provision was also made (Clause 23) for continuance of charging powers in the case of the Caledonian and Crinan Canals.

The recommendations of the Committee of Home Affairs thereon (H.A.C. 1st Conclusions (37), Minute 1) were as follows:

"(1) To approve the Harbours, Piers and Ferries (Scotland) Bill in the form of the draft annexed to H.A.-1 (37), subject to any drafting or other minor alterations that may be found necessary or desirable:

(2) To authorise the introduction of the Bill in either the House of Commons or the House of Lords, as may be decided in consultation between the Secretary of State for Scotland and the Parliamentary Secretary to the Treasury."

The Cabinet approved the above recommendations.
THE PUBLIC RECORDS (SCOTLAND) BILL.

11. The Cabinet had under consideration a memorandum by the Secretary of State for Scotland (H. A. - 2 (37)) covering the draft Public Records (Scotland) Bill, the object of which was to make better provision for the preservation, care and custody of the Public Records of Scotland: together with the following recommendation by the Committee of Home Affairs thereon (H. A. C. 1st Conclusions (37), Minute 2):

"To authorise the introduction in the House of Commons of the Public Records (Scotland) Bill in the form of the draft annexed to H. A. - 2 (37), subject to any drafting or other minor alterations that may be found necessary or desirable."

The Secretary of State for Scotland reported that he had been examining the question of taking power to abolish the office of Extractor of the Court of Session, and as he had warned the Committee of Home Affairs might be the case, it would be convenient to include such a provision in the present Bill rather than to introduce a separate One Clause Bill.

The Prime Minister read a letter from the Home Secretary (absent indisposed) confirming this point.

The Cabinet agreed to approve:

(a) The recommendation of the Committee of Home Affairs as set forth above.

(b) The additional Clause desired by the Secretary of State for Scotland.
19. The Cabinet had under consideration a Memorandum by the President of the Board of Trade (H.A.-3 (37)) covering the draft British Shipping (Continuance of Subsidy) Bill, the object of which was to make a sum of £2,000,000 available for payment of subsidy in respect of tramp voyages or parts of tramp voyages, carried out in the year 1937, subject to the same general terms and conditions as were laid down in the British Shipping (Assistance) Act, 1935, and the British Shipping (Continuance of Subsidy) Act, 1936: together with the following recommendation by the Committee of Home Affairs thereon (H.A.C. 1st Conclusions (37), Minute 3):

"To authorise the introduction at the earliest practicable date in the House of Commons of the Financial Resolution and the British Shipping (Continuance of Subsidy) Bill in the form of the draft annexed to H.A.-3 (37), subject to any drafting or other minor alterations that may be found necessary or desirable."

The Cabinet agreed:

To approve the recommendation of the Committee of Home Affairs as set forth above.
13. The Cabinet had under consideration a Memorandum by the President of the Board of Trade (H.A-4 (37)) covering the draft Merchant Shipping Bill, 1937, the objects of which were to deal with questions of the overloading of ships, and of the efficiency of a certain type of steering-gear, which arose out of the enquiries of Lord Merrivale into certain shipping casualties during the winter of 1934-35. The Bill also included provisions to give effect to the recommendations made by the Sea Fish Commission in their Report of March, 1936, with regard to Life Saving Appliances on fishing vessels. The recommendation of the Committee of Home Affairs thereon (H.A.C. 1st Conclusions (37), minute 4) was as follows:

"To authorise the immediate introduction in the House of Commons of the Merchant Shipping Bill, 1937, in the form of the draft annexed to H.A-4 (37), subject to any drafting or other minor alterations that may be found necessary or desirable."

The Cabinet agreed:

To approve the recommendation of the Committee of Home Affairs as set forth above.
14. The Cabinet took note of a Memorandum by the Secretary of State for War (C.P.-2 (37)), circulating for the information of his colleagues a Minute addressed to him by the Director-General of Munitions Production calling attention to the grave consequences attendant on delay in reaching a decision upon the role of the British Army and its equipment.

In reply to enquiries as to what was the position as to the role of the British Army, the Secretary of State for War reported that the matter had been considered by the Chiefs of Staff Sub-Committee on the previous day, but unfortunately the Minister for Co-Ordination of Defence had been absent through indisposition and the Chiefs of Staff had not been able to conclude their deliberations.
15. The Secretary of State for Dominion Affairs reported that a new trade agreement with Canada was likely to be reached in the near future. There were still a number of outstanding details, but the Prime Minister of Canada proposed to announce on the morrow that an Agreement was about to be concluded. He would communicate details to the Cabinet as soon as this was possible.

Whitehall Gardens, S.W.l.

15th January, 1936.