SECRET.

CABINET 18 (37).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.L., on WEDNESDAY, 21st APRIL, 1937, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

The Situation in Spain - (If required).

(Reference Cabinet 17 (37) Conclusion 2).

2. INSURANCE AGAINST AIRCRAFT AND BOMBARDMENT RISKS.

Note by the Minister for Co-ordination of Defence, covering extract from draft Minutes of the 292nd Meeting of the Committee of Imperial Defence, together with a Memorandum by the President of the Board of Trade. C.P. 114 (37) - to be circulated.

3. FILM QUOTA LEGISLATION.

(Reference Cabinet 58 (36) Conclusion 9 and Appendix).

Memorandum by the President of the Board of Trade. C.P. 111 (37) - already circulated.

4. PRIVATE MEMBERS' BILLS.

For Friday, April 23rd, 1937.

(a) Shops (Sunday Trading Restriction) Act (1936) Amendment Bill. Report and Third Reading. (Mr. Roland Robinson (U)).

(Already disposed of: Reference Cabinet 16 (37) Conclusion 7).

(b) Inheritance (Family Provision) Bill. Report and Third Reading. (Mr. Windsor (La.)).

(Reference Cabinet 16 (37) Conclusion 8).

(c) Marriage Bill. Adjourned Debate on Report and Third Reading. (Mr. de la Bere (U)).

(Reference Cabinet 16 (37) Conclusion 6).
For Friday, April 30th, 1937.

(a) Road Traffic Bill. Report and Third Reading.
(Sir A. Pownall (U)).

(Reference Cabinet 73 (36) Conclusion 15).

(b) Infanticide Bill. Second Reading.
(Mr. Jagger (La.)).

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

2, Whitehall Gardens, S.W.1.,
17th April, 1937.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
the 21st APRIL, 1937, 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. Neville Chamberlain, M.P.,
Chancellor of the Exchequer.

The Right Hon. Sir John Simon, G.C.S.I.,
K.C.V.O., O.B.E., K.C., M.P.,
Secretary of State for Home Affairs.

The Right Hon. The Viscount Halifax, K.G.,

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. Sir Thomas Inskip, G.B.E., K.C.
M.P., Minister for Co-
ordination of Defence.

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.

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

The Following were also present:

Dr. E. L. Burgin, LL.D., M.P.,
Parliamentary Secretary, Board of Trade.
(For Conclusion 2).

BELGIUM.

The Secretary of State for Foreign Affairs informed the Cabinet that he was paying an official visit to Brussels next Sunday, April 25th, returning on the following Tuesday. He did not intend to undertake any negotiations, but to ascertain the Belgian views on the Five-Power negotiations. He hoped that a settlement would be reached not later than Saturday, April 24th, on the release of Belgium from her obligations of the 19th March, 1936.

In reply to a suggestion that he should be very careful to avoid incurring any further obligations for the protection of Belgium which might involve a large military commitment, he said that he proposed to undertake no new commitment.
2. The Cabinet again discussed, in the light of the latest information and of a Debate in Parliament on the previous evening, the question of the advice to shipowners as to voyages to Bilbao, Santander and Gijon.

The Parliamentary Secretary to the Board of Trade, who, in the unavoidable absence of the President, represented the Board of Trade, gave the latest information received by his Department on the subject. This included a communication from the United Kingdom Chamber of Shipping, who considered that the following of the Government's advice by shipping not to attempt to enter Bilbao involved a breach of warranty, since, in the view of the Chamber, the blockade was not effective. The present warning invalidated insurance policies in respect of voyages to Bilbao. All Insurance Companies agreed, however, that so far as Santander and Gijon were concerned, the policies stood. If the ban could be lifted it would please the shipowners, the steel industry, and South Wales. The Board of Trade would be glad if the advice could be altered so as to justify ships sailing to Bilbao.

The Secretary of State for Foreign Affairs pointed out that the difficulty in altering the present instructions resulted from the changeability of the situation. It was difficult, perhaps, to say at the present moment that Bilbao was effectively blockaded. The British Consul had advised that, according to his observation, insurgent warships invariably kept many miles out to sea, out of range of the batteries; and there was one case where an insurgent warship had been hit and had sustained damage. It was difficult to say, therefore, that Consular information bore
out the proposition that the blockade was effective. According to Press reports, also, a British ship had entered the port on the previous day without any opposition. He did not say there was no risk; the question was the degree of risk. It might be that the degree of warning was excessive in present circumstances, and in that event the notices to shipping might have to be altered; but if this were done it should be made clear that we might have to change them again on receipt of further information.

A suggestion was made that the insurgent warships might very likely have been driven off the coast by bad weather.

The First Lord of the Admiralty agreed that the situation was not clear. There had recently been a severe gale, and all ships, both war and merchant vessels, had disappeared from the coast. In the House of Commons on the previous evening he had made clear that the situation was fluid, that it had to be examined from day to day, and that if the blockade did not prove effective he would be the first to recognise it. Another difficulty was that information from different sources varied. It was now reported that the insurgents had laid some mines off Santander, and they might be laying them off Bilbao also. Mines, however, were not so vital an element as the insurgent warships, more especially because there was no opposition at sea from the Government side. The position in the latter respect had not changed. It seemed possible that the insurgent forces might be strengthened by two Cruisers that were reported to have passed westward from Gibraltar. At sea, therefore, the position was much the same as at the time when the Cabinet had reached its original decision. A possible
new factor was that the investment of Bilbao by land seemed to have slowed down, and consequently the argument that by encouraging our ships to enter we might be doing something that savoured of intervention might have been weakened. He had great sympathy with the Board of Trade's attitude, and would like to do what they wished, but he could not say that the situation had changed materially. He thought the right course was to continue to watch the situation, to ask the Senior Naval Officer on the coast for his view, and, if it was found that our appreciation of the position had been too pessimistic, to alter the notices and instructions. He was opposed, however, to the issue of fresh instructions on present information.

In reply to questions as to the coast defences of Bilbao, he said the present information in the Admiralty was that although 15-inch guns had been mounted, they had no sights and were consequently inefficient. Insurgent warships had often been seen in territorial waters and had fired on the port, even though there was no case of their interfering with British ships there.

One suggestion was that it would be better for the Government, instead of issuing warnings to shipping, to announce the facts as they changed from time to time and leave shipowners to form their own opinion. The Cabinet were reminded, however, that the reason for giving a warning in the first instance in the case of Bilbao had largely been due to the desire to avoid action that could be interpreted as injurious to the non-intervention policy.

From the Parliamentary point of view it was recognised that any alteration in the advice to shipping must be justified by new facts.
After further discussion, the Cabinet agreed —

(a) That the policy of the Government, namely, to afford protection to British shipping on the high seas but not in territorial waters, should not be changed, but that notices to shipping and instructions to the Naval Commander-in-Chief must depend upon the facts of the situation, which were liable to vary from day to day:

(b) That the First Lord of the Admiralty should, as soon as possible, send to the Naval Commander-in-Chief a telegram containing the latest information as to the entry or the departure of British shipping to or from Bilbao, also an appreciation of the situation as viewed here by such authorities as the Board of Trade and the United Kingdom Chamber of Shipping, and asking for information as to the facts of the situation at the disposal of the Naval authorities, and for the Admiral's own appreciation:

(c) That the First Lord of the Admiralty should also endeavour to obtain further information as to the state of efficiency of the coast defences of Bilbao:

(d) That the Cabinet Committee on the Protection of British Shipping should meet immediately after the Meeting of the Cabinet to assist the First Lord of the Admiralty in drawing up the appreciation referred to in (b):

(e) That the Cabinet Committee on the Protection of British Shipping should also meet on receipt of the reply from the Naval Commander-in-Chief, with authority to approve any modified notices to shipping or instructions to Naval authorities that they might consider desirable.
3. The Cabinet had before them a Note by the Minister for Co-ordination of Defence (C.P.-114 (37)) on the subject of Insurance against Aircraft and Bombardment Risks, circulating an extract from the Draft Minutes of the 292nd Meeting of the Committee of Imperial Defence, together with a Memorandum by the President of the Board of Trade (C.I.D. Paper No. 1316-B). The conclusions reached by the Committee, after consideration of the President's Memorandum, were as follows:

(a) To make the following recommendations to the Cabinet:

(i) that under the conditions of a future war, so far as they can be foreseen today, insurance against air risks on land, either in time of peace or on the outbreak of war, is impossible;

(ii) that the only practicable course, therefore, is to assume that the Government of the day will make available to owners of property such compensation as may be practicable in the light of all the circumstances of the time;

(iii) that an announcement, of which the terms should be drawn up by the President of the Board of Trade in consultation with the Chancellor of the Exchequer, should be made as soon as possible on the lines that the Government, after careful review of all the circumstances, have reached the conclusion that no scheme of insurance would be appropriate to the circumstances of a future war so far as they can be foreseen today; if the conditions arise which any scheme of insurance would be designed to meet, it will be for the Government of the day to consider making to owners whose property has suffered damage such compensation as may be possible in the light of all the circumstances of the time.

(b) That if the above announcement is approved by the Cabinet --

(i) an official Committee should be set up by the President of the Board of Trade, consisting of representatives of the Treasury, Home Office, Board of Trade, Ministry of Health and the Office of Works, to consider what preparatory work could usefully be put in hand in time of peace in
anticipation of a compensation scheme in time of war, and to be responsible for getting that work done;

(ii) the Committee shall have authority to consult confidentially representatives of outside interests as may be necessary;

(iii) that a member of the Secretariat of the Committee of Imperial Defence should be associated with the Committee as Joint Secretary for purposes of liaison.

After hearing from the Minister for Co-Ordination of Defence a summary of the recommendations of the Committee of Imperial Defence, the Cabinet agreed:

(a) To approve the recommendations of the Committee of Imperial Defence as set forth above, subject to the following modifications:

(b) That the official Committee recommended by the Committee of Imperial Defence in (b)(i) should be set up by the Chancellor of the Exchequer in consultation with the President of the Board of Trade instead of by the latter;

(c) That the Scottish Office should be added to the Departments to be represented on the Committee.
4. The Cabinet had before them a Memorandum by the President of the Board of Trade (C.P.-111 (37)) pointing out that the Cinematograph Films Act, 1927, would expire partly in March, 1938, and partly in September, 1938. The purpose of the Act was to assist in building up the film production industry in the United Kingdom and elsewhere in the Empire by placing an obligation on renters in the United Kingdom to acquire, and on exhibitors to show, a proportion of British films. The Report of a Departmental Committee appointed by him (Cmd.5320) had recommended a continuance of the quota system for a further period of ten years, with which the President agreed. He therefore sought authority to announce that the Government would introduce such legislation before the end of 1937, and proposed to institute at once discussions on that basis with the trade regarding those recommendations of the Committee which were the subject of controversy, and to submit detailed proposals to his colleagues in due course.

The Cabinet approved the proposals of the President of the Board of Trade as set forth in C.P. 111 (37) and summarised above.
5. The Cabinet had under consideration the Inheritance (Family Provision) Bill, introduced by a Private Member and down for Report and Third Reading in the House of Commons on Friday, April 23rd, 1937.

No fresh decision was required on this Bill, which is being watched by the Law Officers of the Crown.
6. The Cabinet had under consideration the Marriage Bill, introduced by a Private Member and down for Adjourned Debate on Report and Third Reading in the House of Commons on Friday, April 23rd, 1937.

The Cabinet had nothing to add to the decision taken at the meeting referred to in the margin.
7. The Cabinet had under consideration the Road Traffic Bill, introduced by a Private Member and down for Report and Third Reading in the House of Commons on Friday, April 30th, 1937. The Cabinet had nothing to add to the decision taken at the meeting referred to in the margin.
8. The Cabinet had under consideration the Infanticide Bill, introduced by a Private Member and down for Second Reading in the House of Commons on Friday, April 30th, 1937.

This Bill was not discussed as it was not considered likely that it could be reached.

2, Whitehall Gardens, S.W.1.

21st April, 1937.