SECRET.

CABINET 20 (37).

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 5th MAY, 1937, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS.

   Spain: Situation on the North Coast of — (If required) (Reference Cabinet 19 (37) Conclusion 2).

2. INDIA: THE POLITICAL SITUATION.

   (Reference Cabinet 14 (37) Conclusion 10).
   Memorandum by the Secretary of State for India.
   C.P. 124 (37) - already circulated.

3. THE ARMY: ORGANISATION, ARMAMENT AND EQUIPMENT OF.

   (Reference Cabinet 19 (37) Conclusion 5).
   Report by the Chiefs of Staff Sub-Committee.
   C.P. 41 (37) - already circulated.
   Memorandum by the Minister for Co-ordination of Defence.
   C.P. 46 (37) - already circulated.
   Memorandum by the Secretary of State for War.
   C.P. 115 (37) - already circulated.

4. INTERNATIONAL SUGAR CONFERENCE.

   (Reference Cabinet 13 (37) Conclusion 10 and Appendix).
   Memorandum by the Lord President of the Council.
   C.P. 126 (37) - already circulated.

5. ORGANISATION OF THE COAL MINING INDUSTRY.

   (Reference Cabinet 12 (37) Conclusion 8).
   Fourth Report of Cabinet Committee covering draft Coal Bill.
   C.P. 128 (37) - circulated herewith.
6. **PRODUCTIVITY OF THE SOIL: PROPOSALS FOR INCREASING.**

(Reference Cabinet 19 (37) Conclusion 12).

Memorandum by the Minister of Agriculture and Fisheries.
C.P. 117 (37) - already circulated.

Memorandum by the Secretary of State for Scotland.
C.P. 185 (37) - already circulated.

7. **THE MARRIAGE BILL.**

(Reference Cabinet 18 (37) Conclusion 6).

Question whether Government facilities should be afforded for remaining stages.

8. **CONCLUSIONS OF HOME AFFAIRS COMMITTEE.**

8th Conclusions (37) of Committee of Home Affairs - already circulated.

**Export Guarantees Bill.**

(Reference Cabinet 12 (37) Conclusion 9).

Memorandum by the President of the Board of Trade, covering draft Bill.
H.A. 20 (37) - already circulated.

**TO TAKE NOTE OF:**

9. **SOUTH AFRICA: NATIVE POLICY.**

(Reference Cabinet 10 (35) Conclusion 4).

Memorandum by the Secretary of State for Dominion Affairs.
C.P. 121 (37) - already circulated.

10. **PALESTINE: PRESENT SITUATION.**

(Reference Cabinet 19 (37) Conclusion 3).

Memorandum by the Secretary of State for the Colonies.
C.P. 187 (37) - circulated herewith.

11. **THE LONDON BUS DISPUTE.**

Memorandum by the Minister of Labour.
C.P. 130 (37) - to be circulated.

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

2, Whitehall Gardens, S.W.1.,
4th May, 1937.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
the 5th MAY, 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. The Viscount Hailsham,
Lord Chancellor.

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. Walter Runciman, M.P.,
President of the Board of Trade.

The Right Hon. Sir Thomas Inskip, C.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. Neville Chamberlain, M.P.,
Chancellor of the Exchequer.

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

The Right Hon. The Viscount Halifax, K.G.,
G.C.S.I., G.C.I.E., Lord
Privy Seal.

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

The Most 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 Samuel Hoare, Bt., G.C.S.I.,
G.B.E., C.M.G., M.P., First
Lord of the Admiralty.

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

The Right Hon. Sir Kingsley Wood, M.P.,
Minister of Health.

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

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

The Secretary of State for Foreign Affairs said that the main event since the last meeting of the Cabinet had been General Franco's offensive against Bilbao. The result of this had been a request from the Basque Government for protection to be given on the high seas to ships carrying refugees from Bilbao. A Cabinet Committee had decided to approve, subject to two main conditions, namely, that the refugees should be selected impartially and under Consular control.

Another event had been the bombing of Guernica. The American Ambassador had informed him that the latter event had been received with the utmost horror in America, where it was regarded as a practice for question of attacks on civil populations the bombing of London and Paris. The had been raised at the Non-Intervention Committee. It was untrue, as stated in certain newspapers, that the German Ambassador had refused to discuss the matter. He himself had seen the Ambassadors of the principal powers before the meeting of the Committee. They all agreed that the question of the bombing of the civil population should be discussed, except the German Ambassador, who had asked for time to consider the matter, though he had not refused to discuss it. He himself had replied that the meeting of the Committee had already been postponed to give him further time. At the meeting of the Committee on the previous day everyone had agreed that the matter should be discussed, except the German Ambassador, who had again not refused, but had suggested that the scope of the discussion should be widened to include other forms of ill-treatment of the civil population besides bombing. On the suggestion of the French Ambassador the Earl of Plymouth had undertaken to try and put forward some proposals on procedure at the next meeting.
Another event that had taken place in Spain was an outbreak at Barcelona, where the anarchists were reported to be getting the upper hand and the evacuation of foreigners was being considered.

In the circumstances described above, in which attention was concentrated mainly on humanitarian aspects of Spanish affairs, the Secretary of State for Foreign Affairs said that he had not found the moment opportune for initiating a joint effort by the Powers concerned in the direction of an armistice, as contemplated by the Cabinet at the Meeting referred to in the margin.

The Cabinet endorsed the Secretary of State's attitude.
2. In the course of the discussion on the preceding proposed Evacuation item the Minister of Health asked if any information had been received by the Foreign Office as to the evacuation of children from the danger zone.

Enquiries had been made from outside his Department as to 4,000 children who, it was alleged, would be arriving in this country within the next few days.

The Secretary of State for Foreign Affairs thought that any such arrival was unlikely. At present only Spanish ships were being used to remove refugees from Bilbao. The British ships there had only been half unloaded, owing to the preoccupations of the available man-power in the battle. The masters of the British ships were anxious to get away, but he gathered that the British ships would not be unloaded for some ten days.

The President of the Board of Trade said that very limited accommodation would be available on board the British cargo-boats when they could get away.

The First Lord of the Admiralty stated that the reports of the numbers of refugees varied very much.

One suggestion was that the claim that 4,000 children were shortly to arrive in this country was being made in order to stimulate subscriptions to a fund that was being raised for this purpose.
3. The Cabinet had before them a Memorandum by the Secretary of State for India (C.P.-124 (37)) outlining events that had occurred since the Meeting mentioned in the margin in connection with the refusal by the Congress Party in India to form Ministries in the six Provinces where that Party had obtained a majority in the Legislatures. The Secretary of State supported the Viceroy in his rejection of the suggestion that he should send for the leaders of the Congress with a view to discussing the difficulty they had found in accepting office, as such discussions would be bound to resolve themselves into a question of concessions on points of substance. The Secretary of State was anxious to see that section of the Congress which was not out to wreck the Act take office in the six Provinces; considered that this purpose would best be served not by attempting negotiations at the Centre but by exploiting any opportunity that might occur for contacts between the Governors and the Congress leaders in the Provinces, the issue being one of provincial autonomy; and sought the approval of his colleagues to the policy he was pursuing.

The Secretary of State for India made a statement in elaboration of his Memorandum. The position was one of some potential danger. In five of the Provinces a Government was functioning successfully under the new Act. In those Provinces far-reaching programmes were being worked out, and hitherto the Governors had given no indication of interference, though it did not follow that they might not have to interfere later. In the other six Provinces the Government had no Parliamentary majority, and when their Legislatures met at the end of six months the probability was that they would be defeated. Nevertheless, in these Provinces also the Governments were at work on advanced
economic and social programmes. Meanwhile, in anticipation of the end of the six months' period, there was much manoeuvring by Congress. Mr Gandhi had suggested arbitration on the question of competence. Congress had ignored his own statement in which he had pointed out that if the Governors had conceded what was asked they would have been betraying minorities and other interests which depended, in the last resort, on their powers. It had then been suggested that the Secretary of State for India should repeat an assurance that was alleged to have been given by Sir Samuel Hoare when Secretary of State for India. Sir Samuel Hoare's statement had been misrepresented. What he had actually said had been repeated by the Secretary of State himself in the following passage:

"I gladly repeat what has been said on many occasions by my Right Hon. Friend Sir Samuel Hoare, and by many others, namely, that there is no reason why the reserve powers of the Governors should come into play. Whether they do or not must, of course, depend upon the policy and proceedings of the Ministries themselves, and it is in a spirit of cordial co-operation with, and of sympathetic understanding of, the position of the Ministries, from whatever Party they may be drawn that the Act will be administered." (Parliamentary Debates, House of Lords, Vol.104, No.53, Cols.880-1.)

That speech, which had been intended to be conciliatory, had been criticised as unsympathetic. To have attempted to produce a formula which could be regarded as conciliatory would have involved the use of phrases which would have been interpreted in one sense by one Party and in another sense by another. Such a course was ambiguous, dangerous and dishonest. He had gone to the limit of conciliation in a reply given by the Under-Secretary of State for India in the House of Commons: (Parliamentary Debates; House of Commons, Volume 323, Column 243: 26 April, 1937):-
"I observe, from a recent statement made as to the intention of the Congress Resolution, that the main apprehension appears to be lest the Governors should use their special powers for detailed interference in the administration. Let me make it plain that His Majesty's Government have no intention of countenancing a use of the special powers for other than the purposes for which Parliament intended them. It is certainly not the intention that Governors, by narrow or legalistic interpretation of their own responsibilities, should trench upon the wide powers which it was the purpose of Parliament to place in the hands of Ministries and which it is our desire that they should use in furtherance of the programmes which they have advocated".

The retort by Congress to this conciliatory gesture was to treat it as an indication that there was to be some modification of the safeguards. It had been described as utterly inadequate and discourteous.

The above had a direct bearing on further suggestions that had been pressed on him from many quarters, that the Viceroy should send for Mr Gandhi. Here, again, the critics conveniently ignored statements by Mr Gandhi to the Press (1) that he would not approach the Viceroy, and (2) that he would not see the Viceroy if sent for: for the reason that this was the affair of Pundit Nehru, who was the President of Congress. Before the Viceroy could send for Pundit Nehru, however, it behoved him to see if there was any ground to form a basis for discussion. There was no such ground, as Pundit Nehru's attitude was defined in a Resolution of the previous December, which had been outspoken in its criticism of the present Indian Constitution and of the intention of Congress to "put an end to this bogus Act of Parliament". There was, therefore, no ground for discussion between the Viceroy and the President of Congress. He had been told that in taking up this line he was ignoring the psychology of Congress and that a meeting between the Viceroy and Mr Gandhi would enable them
to evolve a formula which would enable Congress to "walk through the door" (a door which was already wide open) to the assumption of office. A well-meaning Quaker had spent an hour impressing this upon him. He agreed that such a meeting would have a profound psychological effect, though not precisely of the kind that his Quaker friend anticipated. He warned the Cabinet that the Indian Civil Service and other Services and the Minority Governments in the five Provinces, as well as a host of silent Indians who disliked intensely the extreme policy of Congress but dared not say so openly, and, finally, the Princes were watching the situation closely. The Viceroy had warned him that if he were to yield to Congress the adhesion of the Princes would be thrown back for a decade. He then read letters that he had received from several Governors of Provinces on this subject, all of which urged that there should be no weakness in the matter of the Governors' reserve powers. While sharing their view, he had thought it desirable to put the views of those who favoured sending for Mr Gandhi to the Viceroy, and he had embodied the gist of Lord Linlithgow's reply in his Memorandum. The reply amounted to an emphatic rejection of the idea, and he hoped that his colleagues in the Cabinet would give him their support for the policy he was pursuing. The Secretary of State added, however, that he must leave the Cabinet under no illusion. It seemed inevitable that sooner or later we should come into conflict with the Left Wing of Congress. Possibly the firm stand we were not taking might bring it about sooner. He himself had set forth the Viceroy's view on this point in his Note. The Viceroy had warned him that
he might have to take action against Pundit Nehru with great rapidity. Recalling the title of one of the war books ("Mr Britling Sees it Through") he said that if a clash came the Government would have to see the situation through.

The First Lord of the Admiralty agreed in the general conclusion reached by the Secretary of State for India. It was impossible for the Cabinet to force the Viceroy to see Mr Gandhi and Pundit Nehru against his own convictions. He recalled, however, that the situation need not get acute until September. After that month Supply would come to an end in six Provinces, and the Governors would have to declare a breakdown of the Constitution in those Provinces. It was conceivable that something might happen in the interval. The elements of the Right might break away from the elements of the Left in Congress; but this had been prophesied before and had never happened. In the meanwhile he thought it very important that the Governors of Provinces should maintain contacts with Congress in their respective Provinces. He suggested that, subject to the final discretion of each Governor himself, the Cabinet should advise them to keep close contacts with moderate Congress people.

The Chancellor of the Exchequer agreed with the Secretary of State for India and the First Lord of the Admiralty. He pointed out, however, that it was undesirable to have trouble with Congress and on the North-West Frontier simultaneously. If very firm action was taken now it might bring trouble on sooner, before the difficulties on the North-West Frontier had been surmounted. He agreed with the First Lord that the present dispute was in the Provincial sphere.
and should be kept in that sphere.

The Secretary of State for War referred to the serious reaction which any weakness in handling the internal situation in India was liable to have on the North-West Frontier.

The Secretary of State for India agreed in the importance of close contact between the Governors and Congress in the Provinces, notably for the reason that the developments in the situation varied in different parts of India. He had already suggested to the Viceroy that he should ask the Governors to maintain such contacts and to take advantage of any opportunity to improve the situation. He agreed also that the present difficulties should be kept as far as possible in the Provincial sphere. He agreed with the Chancellor of the Exchequer that care must be taken to avoid precipitating trouble during the difficulties on the North-West Frontier. In making contacts it was necessary to avoid a weak compromise. He proposed to make a statement in the House of Lords on the morrow, and he intended to make quite clear that there was no risk that the Government would weaken.

The Cabinet generally approved the policy set forth by the Secretary of State for India in his Memorandum C.P.-124 (37) and in his verbal statements as summarised above.
4. The Cabinet resumed their discussion on the Organisation, Armament and Equipment of the Army, which had been adjourned at the Meeting mentioned in the margin in order that in the interval the Chancellor of the Exchequer might discuss with the Minister for Co-ordination of Defence and the Secretary of State for War the extent of the Programme to which in present circumstances he could now agree; and again had before them the following documents:—

A Report by the Chiefs of Staff Sub-Committee (C.P.-41 (37));

A Memorandum by the Minister for Co-ordination of Defence (C.P.-46 (37));

A Memorandum by the Secretary of State for War (C.P.-115 (37)).

The Secretary of State for War pointed out that his proposals had been based on military advice, the rejection of which placed a good deal of responsibility on the Cabinet. He understood that the criticisms of his proposals were not really directed so much against their military aspects as against those of man-power and finance. So far as man-power was concerned, the whole Territorial Army would only need 277,000 men to bring it up to strength on the outbreak of war, and 3,000 men a month thereafter. The total Army demand was for 500,000 men, which he thought was not excessive. On the financial side he pointed out that £43,000,000 spread over three years did not seem an impossible amount. If, however, the figure was too high, the best way of dealing with the matter would be to prolong the period of the Programme beyond three years. He did not know what the view of the Foreign Secretary would be on that proposal. He did not think that a proposal which would only result in 2 Territorial Divisions...
being available four months after the outbreak of war, or 4 Divisions six months after the outbreak, could be accepted. His military advisers thought it very unsafe.

The Minister for Co-ordination of Defence said that, following the Cabinet decision mentioned in the margin, he had had an interview with the Chancellor of the Exchequer, the results of which he had passed on to the Secretary of State for War. The Chancellor of the Exchequer had been prepared to agree in substance to the two following proposals in paragraph 16 of the Memorandum by the Secretary of State for War (C.P.-115 (37)):

"(i) The Regular Army and the two Anti-Aircraft Divisions of the Territorial Army to be provided with the most complete and efficient equipment with the necessary war reserves. Total cost is estimated to be £204,609,000; the bulk of the programme to be completed by April, 1940.

(ii) The remainder of the Territorial Army to receive sufficient equipment of the same type as the Regular Army to enable the whole 12 divisions to be trained in peace. Total cost estimated to be £9,284,000; the bulk of the programme to be completed by April, 1940."

The Chancellor of the Exchequer had made clear that in approving the above he made the reservation that the items making up the totals marked with an asterisk would be subject to Treasury approval in detail. The Chancellor of the Exchequer had also pointed out that the number of Territorial Army divisions that could be equipped for war out of the total of the training equipment was shown in Appendix IV to be more than two Divisions: for example, in Bren guns the numbers were sufficient for six Divisions; and in several other items for three Divisions. Nevertheless he was prepared to accept, on the conditions
he had mentioned and subject to the understanding that there should be further enquiry before additional expenditure on the Army could be agreed to. He himself had considered how this decision could be fitted into the Supply arrangements, and had come to the conclusion that at any rate it would have the advantage of enabling the Supply Organisation to proceed on a firm basis. He would have to ask instructions as to what he should tell the Supply Organisation. While he had no alternative but to accept what the Chancellor of the Exchequer would agree to, he emphasised that he regarded the provision of reserves of material sufficient to enable 4 Territorial Divisions to take the field at the end of four months to be a corollary to his earlier proposal. He felt the force of what the military advisers said, namely, that there was no sense in training 12 Divisions unless a part of them was to be later ready to go abroad to replace the 5 Regular Divisions, which by that time would have suffered heavily and would require relief and re-organisation. If Territorial Divisions were to be used for that purpose they must be supplied with equipment and reserves of ammunition and war material. Nevertheless, if the financial strain of providing such equipment was too great, he welcomed the decision, which at any rate would give the Supply Organisation some basis to work upon, and when the financial position improved it might be possible to go further.

The Chancellor of the Exchequer said that his proposal to try and reach an agreement on those points which were likely to be generally accepted had been made with the object of avoiding deadlocks between Ministers, which were admittedly tiresome to the Cabinet. He had now agreed in principle to accept the proposals of the Secretary of State for War, as already
explained by the Minister for Co-ordination of Defence, on the understanding that the expenditure involved was subject to the usual process of discussion with the Treasury in detail. He understood that the Secretary of State for War wanted a further decision today and was urging the grave responsibility that the Cabinet was taking in rejecting the advice of their military advisers. He could not accept the question at issue as being a purely military matter. Other considerations entered into it. He himself definitely did challenge the policy of their military advisers. The country was being asked to maintain a larger Navy than had been the case for very many years; a great Air Force, which was a new arm altogether; and, in addition, an Army for use on the Continent; as well as facilities for producing munitions which would be required not only for our own forces but also for our Allies. He did not believe that we could, or ought, or, in the event, would be allowed by the country, to enter a Continental war/ fighting on the same lines as in the last war. We ought to make up our minds to something different. Our contribution by land should be on a limited scale. It was wrong to assume that the next war would be fought by ourselves alone against Germany. If we had to fight we should have allies, who must in any event maintain large armies. He did not accept that we also must send a large army. He had said this in order that the Cabinet might realise his own point of view, though on this, as on other points, he was, of course, always open to argument. His suggestion, therefore, was to approve so much of the Secretary of State for War's proposals as had already been agreed, and to proceed to the consideration, in comparative leisure, of the proper rôle of the Army in the light of other considerations.
The Minister for Co-ordination of Defence said that he had never contemplated an Army on a Continental scale. He thought, however, that it was wrong to assume that the decision that was now proposed could be regarded as the limit of what our effort would be in time of war. (The Chancellor of the Exchequer interpolated "What we should prepare for!") He would be better satisfied if 2 Divisions were available to be sent abroad after a period of months. He agreed with the Chancellor of the Exchequer that the question of the rôle of the British Army would have to be investigated.

The Secretary of State for War recalled that the question of the rôle of the British Army was no new one. It had been under investigation ever since he had been a member of the Cabinet, and for six months before. It was not the War Office demand that had increased, but its cost. He recalled that the original Defence Requirements Committee had asked for more than what he was now asking, namely, a Regular Expeditionary Force of 4 Divisions and 1 Mobile Division, which could be reinforced by Territorials at intervals of 4, 6 and 8 months. That had been the unanimous recommendation of the Committee, which included all three Chiefs of Staff, and not of the General Staff alone. If the decision was now to be postponed, what was proposed? Was the matter to go back to the Chiefs of Staff Committee for reconsideration, or was a special body to be constituted? All the planning, including Supply, had been based on the assumption of an Expeditionary Force of 5 Divisions, and all the Chiefs of Staff agreed that it was unsafe to send 5 Divisions abroad unless they could be supported within 4 months by 4 Territorial Divisions as a minimum. If no decision was taken on this point the whole question would be
in the air and he could give no instructions to the
General Staff. He might have to instruct the General
Staff to alter all their plans. No alternative
proposal had been put forward. All he claimed was
that if there was a Territorial Army at all it was
waste of money to maintain it unless it was properly
equipped. At the coming Imperial Conference we might
well be asked by the Dominions whether our Territorial
Force could go abroad. What was to be the answer?
The idea of equipping the Territorial Army only for
training was not a military policy. He could only
accept it under protest and because he hoped that this
interim decision would lead to a permanent decision.

The Secretary of State for Foreign Affairs pointed
out that as a matter of practical politics it was not
possible at the moment to equip the Territorial Army
to any extent beyond what the Chancellor of the
Exchequer now agreed to. He would greatly regret any
departure from the previous decision that 5 Divisions
should be available to go abroad. Consequently it
seemed to him that the only decision was as to whether
the Cabinet did or did not accept the Secretary of
State for War's proposal (already quoted above) in
Paragraph 16 (i) and (ii), or whether they should take
a new decision in favour of equipping 4 Divisions of
the Territorial Army. Was it not possible, he asked,
that support for the original 5 Divisions might be
drawn not from the Territorial Army but by bringing
home Regular troops from India and replacing them by
Territorials? He thought this question might be
further explored.

In the course of the discussion the Secretary of
State for Air, as Chairman of the Mon-Power Committee,
which was meeting that afternoon, consulted the Cabinet
as to whether, with a view to expediting the further
After some further discussion the Cabinet agreed --

(a) As an immediate decision, to accept the following proposals in C.P.-115 (37), Paragraph 16:

(i) The Regular Army and the two Anti-Aircraft Divisions of the Territorial Army to be provided with the most complete and efficient equipment with the necessary war reserves. Total cost is estimated to be £204,609,000; [the bulk of the programme to be completed by April, 1940.]*

(ii) The remainder of the Territorial Army to receive sufficient equipment of the same type as the Regular Army to enable the whole 12 Divisions to be trained in peace. Total cost estimated to be £9,284,000. [the bulk of the programme to be completed by April, 1940.]*

the figures of cost quoted above to be subject to approval by the Treasury of the items on which they were based:

(b) That the question of the role of the Army and its possible further organisation, armament and equipment, should be referred to the Defence Plans (Policy) Committee, which already has under consideration a reference as to a New Standard of Naval Strength (D.P.(P) 3).

(c) That the Chancellor of the Exchequer and the Minister for Co-ordination of Defence should concert the Terms of Reference to the Defence Plans (Policy) Committee:

(d) That instructions to the Supply Organisation as to the Army supply preparations in peace, resulting from the above decisions should be left to be worked out between the Secretary of State for War and the Minister for Co-ordination of Defence, subject to the approval of the Chancellor of the Exchequer:

(e) That the Secretary of State for Air, as Chairman of the Man-Power Committee, should instruct his Committee to examine the man-power aspects of alternative hypotheses, one of which should be based on the decisions asked for by the Secretary of State for War, which are to come before the Defence Plans (Policy) Committee.
5. The Cabinet had before them a Memorandum by the Lord President of the Council (C.P.-126 (37)) informing his colleagues that the International Sugar Conference had reached agreement on the principle of a scheme for the regulation of the free market, and giving for their confidential information some particulars of the position. The Lord President attached to his Memorandum a Report of the Negotiating Committee, which the Conference had agreed should serve as a basis for the drafting of a definite agreement. He was hopeful that an agreement might be concluded and signed about the middle of next week.

The Lord President of the Council, as Chairman of the International Sugar Conference, said that, as a result of the meeting of the Conference on the previous day, he wanted instructions as to whether the British representatives should sign the International Agreement. He recalled that His Majesty's Government had gone into this matter because they could hardly avoid it, but without any sanguine prospects of success. The Dutch Prime Minister, on whom he relied to co-operate, had been unable to render assistance as he was fighting an election. At the moment, the position was that the Yugo-Slav delegates had referred to their Government for instructions, but expected a reply to-day. Canada, whose only official requests had been embodied in the Agreement, had startled the Conference on the previous day by refusing to sign, but, in making his declaration, the Canadian High Commissioner had announced that Canada accepted the
particular points desired of Canada on which he had agreed at earlier meetings. The remaining Dominions were in agreement and would sign. The position of China and Brazil was uncertain as they had not been represented at the meeting on the previous day. All other Delegations had agreed to sign. The French delegates had taken up the curious position that they would not sign unless one of the authentic signed copies was in the French language. He himself had announced that the document was to be in the English language. The Germans had supported him and had declared that if the French language was insisted on they would have to insist on the German language. The Russian representative had intimated that in that event he would demand a fourth official language, and there had been symptoms of a similar attitude on the part of other Delegations.

Commenting on the Convention, the Lord President said the United Kingdom Delegation had been very careful to protect the interests of consumers and a clause to this effect was included. The interests of consumers were also covered by a wider power, namely, that if it was found that the Agreement was not being administered properly, it could be denounced. A difficult question had been that of the distribution of voting powers on the permanent organisation. Eventually, they had agreed that the producers should have 55 votes and consumers (which included the United Kingdom and Canada) 45 votes. The threatened withdrawal of Canada had been troublesome, because the Canadian 5 votes were in the consumers block. It had been agreed that if Canada withdrew, the 5 votes should be distributed among the other consumer powers.
The Secretary of State for the Colonies considered the Agreement a good one both from the British and Colonial point of view. He emphasised the seriousness of the defection of Canada more particularly from the point of view of the Colonies, who attached the utmost importance to Canada's adherence. A Canadian withdrawal would also increase the difficulties in defending the Agreement in Parliament. He hoped, therefore, that the Secretary of State for Dominion Affairs would do his utmost to persuade the Canadian Government to sign.

The Secretary of State for Dominion Affairs agreed to try and do this. The decision had been quite unexpected, but the fact was that Canada had a Liberal Government which disliked any Agreement not based on free trade.

Warm congratulations were offered to the Lord President of the Council on the success of his efforts.

The Cabinet agreed:

(a) That the British Delegates at the International Sugar Conference should be authorised to sign the Agreement that had been concluded;

(b) That the Secretary of State for Dominion Affairs should do his utmost to induce the Canadian Government to authorise the Canadian Delegates to sign.
The Cabinet had before them the Fourth Report of the Cabinet Committee on the Organisation of the Coal Mining Industry (C.P.-128 (37)), covering a draft Coal Bill. At the end of their Report the Committee summarised their Conclusions and Recommendations as follows:

(i) It is a physical impossibility, owing to the very limited amount of Parliamentary time available according to present plans, to pass into law before the summer recess a combined Bill covering the three fields of coal policy which require legislation, viz., unification of royalties, compulsory amalgamations and the continuation with amendments of Part I of the Coal Mines Act, 1930.

(ii) There are difficulties, from the Parliamentary point of view, in introducing a combined Bill, making as much progress with it as is possible before the holidays, and completing the remaining stages after a summer adjournment; and nothing will be gained by introducing a Bill dealing with part of the field only.

(iii) Our recommendation is that a combined Bill be carried through all its stages, as the first legislative measure of the 1937-38 Session. The Session should be begun early enough to allow of this Bill becoming law by Christmas next.

(iv) Should the Bill, owing to some unforeseen contingency, not have received the Royal Assent by Christmas next, it will be necessary to pass a short ad hoc measure continuing in force for a few additional weeks Part I of the 1930 Act.

(v) Subject to a few drafting points, with which the Cabinet need not be troubled, we recommend that the Bill to be introduced at the beginning of the 1937-38 Session should be in the form of the draft attached to the present Report.

At the conclusion of a statement on the recommendations of the Cabinet Committee, in the course of which he had drawn attention to the very serious risks involved in the postponement of legislation, the President of the Board of Trade said that shortly before the meeting he had been
informed of a proposal by the Treasury for dealing with the situation. Their proposal was based on the idea that a short and less controversial Bill which could be passed this Session could be devised which would cover the Government against one of the risks of postponement, namely, a dragging out of the assessment process and general delay until the award had lost its relevance and to enable the distribution of the money to be made earlier. Such a Bill would cover the first step of the acquisition without asking Parliament to commit themselves to more than the making of a register of the interests in respect of which the compensation was to be distributed. He had not yet had time to study this proposal.

The Cabinet agreed:

That the proposal of the Treasury should be referred back to the Cabinet Committee on the Organisation of the Coal Mining Industry and that, in the meantime, a decision on their Fourth Report should be postponed.
7. After hearing a statement by the Home Secretary, the Cabinet agreed:

(a) That, as a day of Parliamentary time had been lost to the promoters of the Marriage Bill through no fault of their own (since the time had been taken by the Government), the Government should place at their disposal a limited amount of Parliamentary time with a view to improving the prospects of the passage of the Bill through the House of Commons:

(b) That the Parliamentary time should be either on a Friday afternoon or some other day of the week, which latter would be the more helpful course, as it might enable the promoters to obtain an hour or two more of Parliamentary time in case of necessity by securing an extension:

(c) That a statement of the Government's position should be drawn up by the Home Secretary in consultation with the Parliamentary Secretary to the Treasury for announcement by the Prime Minister (or as he might arrange).
8. The Secretary of State for Scotland said he was not pressing for the grant of additional time for the Marriage (Scotland) Bill at the moment. This Bill had already passed through the House of Lords and had consequently been introduced in the House of Commons later than the English Bill.
9. The Secretary of State for Dominion Affairs reported that he had now received copies of Mr. de Valera's Constitution Bill. He proposed to circulate the Bill to the Cabinet Committee who would consider it and report to the Cabinet. This was agreed to.
10. The Cabinet had before them memoranda by the Minister of Agriculture and Fisheries (C.P.117(37)) and the Secretary of State for Scotland (C.P. 125 (37)) on the subject of increasing the productivity of the soil.

After the Minister of Agriculture and Fisheries and the Secretary of State for Scotland had made brief statements of an introductory character, the Prime Minister suggested that, as a discussion was likely to take some time, it would be better to postpone it until the morrow.

The Cabinet agreed:

To consider the above memoranda at a meeting to be held in the Prime Minister's Room at the House of Commons at 12 noon on the following day, Thursday the 6th May.
11. The Cabinet had under consideration a Memorandum by the President of the Board of Trade (H.A.-20 (37)), covering the draft Export Guarantees Bill, the objects of which were to make provision for:

(i) An increase in the limit of export credits guarantees which may at any time be outstanding, from £25 millions to £50 millions:

(ii) The abolition of the existing time limits on the activities of the Export Credits Guarantee Department:

(iii) Authority to charge on the Consolidated Fund, if so far as not otherwise provided, any amounts required to implement the Department’s guarantees:

(iv) Certain minor amendments of the existing Acts:

together with the following Conclusions of the Committee of Home Affairs thereon (H.A.C. 8th Conclusions (37)):

"(1) To reserve for determination by the Cabinet the question of policy whether the scope of the existing Acts prohibiting guarantees in respect of 'munitions of war' should remain unchanged, or whether it should be modified on the lines proposed in Clause 1 (1) of the Bill.

(2) Subject to (1) above, to recommend the Cabinet to authorise the introduction forthwith in the House of Commons of the Export Guarantees Bill in the form of the draft annexed to H.A.-20 (37), subject to -

(i) further consideration by the Attorney-General and Parliamentary Counsel of the words 'or intended' in the event of the Cabinet in principle adopting the formula in lines 16-18 of Clause 1(1);

and

(ii) to any other drafting or other minor alterations that may be found necessary or desirable, on the understanding that the Bill must be passed into law before the Summer Recess."
After a short discussion, the Cabinet agreed:

(a) That the definition of munitions should remain as in the existing legislation and should not be modified on the lines proposed in clause 1 (1) of the Bill:

(b) Subject to (a) above to authorise the introduction forthwith in the House of Commons of the Export Guarantees Bill in the form of the draft annexed to H.A. 20 (37), subject to any other drafting or other minor alterations that may be found necessary or desirable, on the understanding that the Bill must be passed into law before the Summer Recess.

Whitehall Gardens, S.W.1.

5th May, 1937.