CABINET 45 (37)

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

AGENDA

1. FOREIGN AFFAIRS
   (a) Germany - (If required).
      (Reference Cabinet 43(37) Conclusion 3.)
   (b) Spain - (If required).
      (Reference Cabinet 43(37) Conclusion 4.)
   (c) The Far East: Japan and China - (If required).
      (Reference Cabinet 43(37) Conclusions 1, 5 and 6.

2. PRIVATE MEMBERS' BILLS

   For Friday, 3rd December, 1937.
   (a) Local Authorities (Hours of Employment in connection with Hospitals and Institutions) Bill. Second Reading. (Mr. Roberts (La.).)
      (Reference Cabinet 44 (37) Conclusion 6.)
   (b) Secretary of State for Wales and Monmouthshire Bill. Second Reading. (Mr. Clement Davies (LN)).
      (Reference Cabinet 44 (37) Conclusion 7.)
   (c) Dogs' Act (1871) Amendment Bill. Second Reading. (Sir Robert Gower(U)).
      (Reference Cabinet 44 (37) Conclusion 8.)

   For Friday, 10th December, 1937.
   (a) Hire-Purchase Bill. Second Reading. (Miss Wilkinson (La.).)
   (b) Street Playgrounds Bill. Second Reading. (Mr. Perkins (U)).
   (c) Workmen's Compensation (Amendment) Bill. Second Reading. (Mr. Cary(U)).
      (Reference Cabinet 42(37) Conclusion 16.)
TO TAKE NOTE OF:-

3. CABINET PROCEDURE: CABINET PAPERS.

(Reference Cabinet 43(37) Conclusion 2.)

Note by the Prime Minister.
C.P. 285 (37) - already circulated.

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

2, Whitehall Gardens, S.W.1.

November 26th, 1937.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W.1., on WEDNESDAY,
the 1st December, 1937, at 11 a.m.

PRESENT:
The Right Hon. Neville Chamberlain, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Sir John Simon, G.C.S.I.,
G.C.V.C., O.B.E., K.C., M.P.,
Chancellor of the Exchequer.

The Right Hon.
The Viscount Halifax,
Lord Chancellor.

The Right Hon.
The Earl De La Warr,
Lord Privy Seal.

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

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

The Right Hon.
L. Hore-Belisha, M.P.,
Secretary of State for War.

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

The Right Hon.
The Earl Stanhope, K.G.,
D.S.O., M.C., President of the Board of Education.

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

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

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.
W. Ormsby Gore, M.P.,
Secretary of State for the Colonies.

The Right Hon.
A. Duff Cooper, D.S.O., M.P.,
First Lord of the Admiralty.

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

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

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

The Right Hon.
E.L. Burgin, M.P.,
Minister of Transport.

Colonel Sir M.P.A. Hankey, G.C.B., G.C.M.G., G.C.V.C., ... Secretary.
SPAIN.

Previous Reference: Cabinet 44 (37), Con- (Mission 4).

1. The Secretary of State for Foreign Affairs said that he had nothing fresh to report with regard to Spain. The Non-Intervention Committee was awaiting the reply of the Spanish Government to its suggestions. General Franco's Government's reply was an acceptance, subject to various enquiries and reservations.
2. The Secretary of State for Foreign Affairs reported that the situation from the point of view of the Shanghai Customs was a little easier. The change in the Japanese attitude had coincided with, though he would not say that it was necessarily due to, representations made by the British, United States and French Governments at Tokyo. He warned the Cabinet, however, that the Japanese naval and military authorities were likely to determine the policy of Japan. The affair of the Customs was only in the nature of a preliminary skirmish, and the real tussle would come when the question of control of the International Settlement area was raised. When that happened, the Japanese would be likely to demand either a new Concession for themselves or a large measure of control over the International Settlement.

The Chancellor of the Exchequer, after recalling that only a few years ago the Chinese had attributed many of their difficulties to the existence of the International Settlement, asked whether it was not probable that the Japanese, who liked to represent themselves as champions of the Far East, would espouse the cause of the Chinese and insist that the International Settlement should be abolished. Having thus got rid of Western nations, was it not likely that they would themselves take their place?

The Secretary of State for Foreign Affairs thought this was not an improbable development.
3. The Chancellor of the Exchequer asked whether there had been any formal decision by the Cabinet as to the exportation of munitions from Hong-Kong. Was there not a risk, he asked, that in present circumstances we might, by persisting in our present practice, involve ourselves in great difficulties with Japan?

The Secretary of State for Foreign Affairs recalled that the whole subject had been explored by a Cabinet Committee, under the Chairmanship of the Home Secretary, whose Report had been considered and approved by the Cabinet as recently as the 17th November, when it had been decided, inter alia, that we should for the present maintain the existing arrangements for the export of arms and munitions to China from Hong-Kong, and that aircraft reaching Hong-Kong in parts and destined for China should continue to be forwarded in unassembled condition by such means of transport as are available (Cabinet 42 (37), Conclusion 3).

The Cabinet were reminded of the decision at the meeting referred to in the margin, that there should be no interference with a consignment of machine-guns destined for Japan.

The Prime Minister pointed out that the bombing of the railway must have the effect of stopping the transport of much of the war material. We were bound to be faced with trouble in connection with Hong-Kong, but he thought it would be a mistake to change the policy at the present moment as it would give the impression that we were taking a side in the struggle.

This was agreed to.
EGYPT.

(Previous Reference: Cabinet 43 (57), Conclusion 7.)

4. The Secretary of State for Foreign Affairs, in reply to the Lord President of the Council, said that a difficult situation had arisen between Nahas Pasha and King Farouk in Egypt, and Sir Miles Lampson had asked for his guidance. He had replied suggesting a middle line between the two courses of backing up Nahas Pasha and leaving him to fight it out with the King of Egypt. The middle course proposed was that Sir Miles Lampson should induce Nahas Pasha to broaden the basis of his Government, but at the same time he should see the King and urge him in the most vigorous language to co-operate with the present Government on a broadened basis and to abandon his policy of obstruction and pinpricks. He added that the moment was the worst possible one for an appeal by Nahas to the country, as he might then be overthrown and there was the possibility of his being replaced by an Italo-phile administration, with the King also opposed to the British connection. In sending this telegram, however, the Secretary of State had left Sir Miles Lampson, in whom he had great confidence, some discretion.

The Lord President of the Council agreed with the Secretary of State for Air that the advice to Sir Miles Lampson was wise. He hoped, however, that if there was a prospect of King Farouk being in league with Italy we should not hesitate to take more drastic action.

The Secretary of State for Foreign Affairs said that Sir Miles Lampson had already been authorised to give a hint that our support to the King of Egypt depended upon the adoption by His Majesty of a proper constitutional attitude.
5. The Secretary of State for Foreign Affairs reported that the Anglo-French conversations of the two previous days had begun with a statement by the Lord President of the Council on his visit to Germany, which had been as full and as frank as that given to the Cabinet at the meeting referred to in the margin. The statement had obviously made a favourable impression.

The French had noted that Herr Hitler had made the point that there was no connection between the colonial question and that of Central Europe and the other questions raised. The Lord President had explained that he made clear that this was not his attitude.

CENTRAL EUROPE. On the subject of Central Europe the French Ministers had said that there were two possible policies: (1) to disinterest ourselves, and (2) to interest ourselves in a spirit of conciliation. On the question of the Sudeten-Germans in Czecho-Slovakia, the British Ministers had urged the importance of meeting legitimate grievances, and had asked M. Delbos, on the occasion of his coming visit, to try and find out what concessions Dr. Benes was willing to make, as this would be most useful in our approaches to Berlin. The French Ministers had agreed, but had pointed out that the Germans preferred bilateral negotiations with Czecho-Slovakia and had doubted what sort of reception they would give to our friendly and pacific efforts.

On the subject of Austria it had been agreed that the situation was rather different. The last declaration had been that of Stresa, when Great Britain, France, and Italy had agreed in the maintenance of the integrity and independence of Austria as a necessary element in European peace. The French Ministers had pointed out that the Italian interest in Austria had somewhat weakened, but did not think that they had entirely
disinterested themselves in that country. They agreed that the Austrian Government had shown great courage, and their information corresponded to ours, that Dr. Schuschnigg's position had improved. They had agreed also that Austria must take a place in the negotiations with Germany and that it might be useful to obtain a repetition of the German declaration of last July.

Disarmament was considered by the French Ministers to be of capital importance in a settlement. The British Ministers had expressed the view that qualitative disarmament held out better prospects than quantitative, and the French Ministers had undertaken to look into this. The French Ministers had insisted that some measure of disarmament was essential to any arrangement.

On the subject of the League of Nations and its constitution and powers, the Lord President had pointed out that the Germans could not face rejoining so long as the nominal powers of coercion were maintained. On this point the French Ministers had not been so rigid as had been anticipated. They wanted, however, to keep Article 16 for regional agreements even if it was not retained for general use. They had not rejected a suggestion to consider a solution proposed by the Scandinavian Governments in favour of leaving to the League the faculty to apply sanctions. At the outset, however, the French Ministers thought it would be better not to raise these particular issues. They recalled that Herr Hitler himself had asked why other nations were so anxious to have Germany in the League when the United States of America was not a member, and had suggested that a League without Germany was a possibility.
On the subject of colonies the Prime Minister had made clear our view that if France and Great Britain discussed the question, even among themselves, it was only as part of a general settlement and not a question standing by itself. The French did not dissent from this view. The Prime Minister had given a frank account of our own difficulties over Tanganyika and had made clear that the French would not be asked to make a sacrifice if Great Britain was not prepared to do something corresponding. The Prime Minister's statement had been received with warm thanks by M. Chautemps, who had made clear that the French Government was far in advance of public opinion in France on this matter. The Government would, as part of a general settlement, be prepared to make some sacrifice, but public opinion had not yet reached that point. M. Chautemps had made clear that the Prime Minister's statement would be a great help to him. He had given a formidable catalogue of the difficulties that beset this question, but the points of view of the two Governments had proved to be very similar. Both Governments had agreed that much more exploration was required both as to what each Government could contribute and as to what was required in the approach to Germany. There had also been agreement as to the delicacy of any possible approach to Belgium and Portugal, the latter of whom had not received any colonial territory under the Treaty of Versailles.

There had also been some discussion about the Locarno Treaties, and it had been agreed that some agreement in Western Europe was essential to a general settlement.

So far as the Far East was concerned, the French Ministers had shared our own views but had displayed a good deal of irritation at the attitude of the United States of America.
In discussing Spain the French Ministers had taken
the initiative in praising the policy of non-intervention,
which had led to the inclusion of this matter in the
published Communique. The present French Government did
not appear to be much under the influence of ideological
complexes.

In discussing Italy the French Ministers had shown
more signs of irritation than on any other subject. This
was largely due to a Press campaign in Italy about a
speech alleged to have been made by the French Minister
of Marine, which was denied altogether by the latter.
The British Ministers had argued in favour of some
approach to Italy, and it had been agreed that the
Italian Government should be informed that we were
willing to take up the proposed conversations and that
the French Government had been consulted and had agreed
to this course. The French Ministers had insisted,
however, that a stop must be put to Press polemics.
The French Ministers had not been much disturbed about
the Italian reinforcements to Libya. They themselves
had sent some reinforcements to Tunis, not so much
because they were apprehensive of the fact as to reassure
public opinion.

Summing up his impressions, the Secretary of State
said that the talks had been very useful, particularly in
achieving the following four points:

(1) They had set at rest the rumours of a
divergence of view between the British
and French Governments in the matter of
policy towards Germany and on the colonial
question:

(2) They had convinced him that France was as
anxious as we were to induce the Germans
to come to terms:

(3) There had been no sign that the French
Ministers desired to be lined up with a
Left Wing in Europe: neither did they
appear to be in any way under Russian
influence; in fact they had shown some
misgivings as to the future of Russian foreign policy after the elections now in progress. They had also shown some anxiety as to Polish foreign policy:

(4) The conversations had enabled us to take an indispensable first step in the direction of some dealings with Germany over colonies, and the views of the two Governments had proved to be identical.

He warned the Cabinet, however, that progress was bound to be slow. It was important to avoid sensation and public discussion, and in his view the result might well depend upon our re-armament.

The Prime Minister supplemented the statement by the Foreign Secretary.

Referring to Central Europe, he said the view of the French Ministers had been that Germany was aiming at the absorption of Austria and part of Czechoslovakia. At one time it had looked as though they were going to press the British Ministers to adopt a more forthcoming attitude in Central Europe. No encouragement had been given them, however, and finally they had agreed that appropriate concessions might be made by Czechoslovakia and that an attempt should be made to reach a general settlement with Germany. They had agreed that there was no likelihood of immediate German intervention in Czechoslovakia or Austria, but that the Germans expected to get what they wanted in due course. If we also desired to postpone the issue there was the possibility that it would settle itself and never arise.

As to Signor Mussolini and Austria, the French Ministers had agreed that better relations with Signor Mussolini might have the effect of reviving his interest in Austria, in which case his co-operation might be valuable.

The most difficult section of the negotiations had been that relating to colonies, which was harder for us
than for the French. With France it was only a question of whether they could cede Togoland and the Cameroons. In our case exchanges of territory to meet the strategic difficulties, of which the Cabinet were aware, had to be taken into account, and these involved serious problems. He proposed that the question should be referred in the first instance to the Cabinet Committee on Foreign Affairs, which would report in due course to the Cabinet.

So far as Germany was concerned, the only action he contemplated was to warn the Government that some time would be necessary for the study of these questions and that they must not be disappointed if there was some delay.

He also proposed that conversations should be taken up with Signor Mussolini.

The Secretary of State for Foreign Affairs said that he had arranged to see the German Ambassador the same afternoon.

The Prime Minister, answering a point raised by the Lord Chancellor, said that one of the difficulties of the negotiation was to obtain a fair makeweight for colonial concessions, since Germany only had assurances to offer. So far the minds of those who had considered the matter had worked in two directions: first, German association with the League, and, second, disarmament. The latter was the more important in this connection, as if some measure of disarmament could be carried out it would be in the nature of a guarantee.

Repeating as to the form which the negotiations would take, the Prime Minister said that our idea had been to take the initiative ourselves but to keep the French informed as to the progress made. The French Ministers had not objected to this procedure, provided that they were brought into the negotiations at the appropriate stage.
So far as the negotiations with Italy were concerned, the French Ministers were particularly anxious that conversations should not take place from which they were totally excluded. He and his colleagues had proposed to get over this difficulty by telling the Italian Government at the outset that our proposals resulted from talks with the French Government, who would have to be brought in at the appropriate stage.

The Secretary of State for Air suggested that the negotiations on different subjects ought to be more or less contemporaneous.

The Lord President of the Council agreed that the discussions ought to be simultaneous, as parts of one whole. He raised the question, however, of what was meant by the phrase "a general settlement". He recalled that the Staff of His Majesty's Embassy in Berlin had suggested that the German idea of a general settlement was rather different from our idea. It might be found that the Germans wanted to stand out of the League of Nations and were making every difficulty about disarmament.

So far as Central Europe was concerned, even the French had admitted that the utmost we could hope for would be to get the Germans to repeat previous undertakings. The real difficulty about a general settlement arose from our doubts as to whether the Germans were obviously free could be no certainty about reliable. If we could establish a good atmosphere by this— and we must probably rely upon the better disposition to settle the colonial question we might relations we might hope to create through an all-round finding that the Germans were in a much better frame of mind, discussion, and settlement, and (b) the all-inclusiveness of Germans and would be willing to make a more favourable general and probable settlement than appeared at first sight.

-11-
The Minister for Co-ordination of Defence rather demurred to the idea of asking the Germans to repeat the assurances they had given in Central Europe. This might revive their oft-repeated complaint that they were treated differently from other nations. It might be better to refer to their undertakings and to assume that they intended to carry them out.

Referring to the League of Nations, he pointed out that the French insistence on Article 15 had been one of the hindrances to improved relations with Germany.

As to the re-armament programmes, he stated that production was now taking place. For example, in the near future he hoped to report satisfactory arrangements for the production of anti-aircraft guns. When the Foreign Secretary spoke of success depending on our re-armament programmes, did he merely mean the completion of those programmes or their intensification? The latter could not take place except by revoking the decision not to interfere with civil industry, which he assumed at the present time was out of the question.

The Secretary of State for Foreign Affairs said he referred to the programmes rather generally, and had not mentioned either the pace or the degree of re-armament.

The President of the Board of Trade said that as this question had been mentioned he felt he ought to warn the Cabinet that there were some signs of a recession of trade and manufacture, the first symptoms of which were a fall in commodity prices. If this were continued an acceleration in armaments might be very helpful.

The Secretary of State for Foreign Affairs, in reply to a question, said that French armaments had been discussed to a certain extent at the meetings.
So far as air armaments were concerned, the French Ministers had explained that they had a very expensive Army and that they had to do a certain amount for the Navy; consequently the Air Force had fallen a little behindhand, but that they were going to spend a good deal of money, and he understood that they were going to make purchases in America.

The First Lord of the Admiralty presumed that the eventual aim in contemplation was a new Treaty to replace the Treaty of Versailles.

The Cabinet took note —

(a) That the Secretary of State for Foreign Affairs would warn the German Government that the matters raised in the conversations between the Lord President of the Council and Herr Hitler would require a good deal of exploration and that they must not be disappointed if some time elapsed before a further approach could be made:

(b) That the question of colonies would be studied by both the British and French Governments with a view to a further interchange of views:

(c) That the British enquiry would be undertaken in the first instance by the Cabinet Committee on Foreign Policy:

(d) That steps would be taken with a view to a start being made with the proposed conversations with Italy, and that the Italian Government would be told that our approach was made after consultation with the French Government, and that at the appropriate stage the French Government would have to be brought into the negotiations.

It was agreed that the French Government should be kept informed and that no Anglo-Italian bilateral agreement should be included in matters of urgency to France. It was recognised also that any respect of a successful outcome to Anglo-Italian conversations would be very dubious in the atmosphere created by the Italian propaganda not being carried on against this country and France. If therefore the conversations were found to be fruitful it would be necessary that the propaganda should cease to enable them to be brought to a successful conclusion.
6. The Secretary of State for Dominion Affairs handed round a despatch dated the 24th November which he had received from Mr. de Valera. He recalled his recent conversations with Mr. de Valera, as the result of which he had promised to prepare Papers for consideration by the Irish Situation Committee in the first place. These were almost ready for circulation, but he was holding a preliminary discussion on them with the Prime Minister and the Chancellor of the Exchequer. He proposed that the new despatch should be considered in the first instance by the Irish Situation Committee in connection with the other Papers. He was not prepared to give, with any confidence, an estimate of the significance of that document. It might mean that Mr. de Valera was now in a more yielding mood. In the past, Mr. de Valera had always been opposed to Ministerial talks until some basis of agreement was found. At present, however, he was in great difficulties which were partly political and partly economic. He himself felt, however, rather sceptical about so rigid a mind. He proposed to see the Irish Free State High Commissioner the same afternoon to see if he could find out any more as to what was in Mr. de Valera's mind. His own view was that we should not refuse the proposal. Apart from anything else, it would be very bad tactics to do so. If the proposal were to be accepted, there were advantages in early acceptance in principle, because, first, Mr. de Valera had asked for an early reply and, second, he had information that there was a good deal of scepticism in Dublin as to our reply. It would help our friends in Ireland if a reply was sent.
at once. He, therefore, made the following proposal to the Cabinet, which the Cabinet accepted:—

That the Irish Situation Committee be authorised to draft an interim reply for the Secretary of State for Dominion Affairs to send to Mr. de Valera accepting his proposal in principle, though perhaps containing guarded sentences regarding the time and circumstances of the proposed meeting.
7. The Cabinet had under consideration the Local Authorities (Hours of Employment in connection with Hospitals and Institutions) Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 3rd December, 1937.

The Minister of health said that in accordance with what he understood were the wishes of the Cabinet, he would do his best to keep the Debate going on this Bill so as to avoid discussion on the Bill which followed, namely, the Secretary of State for Wales and Monmouthshire Bill. The Local Authorities (Hours of Employment in connection with Hospitals and Institutions) Bill would be opposed on the ground that the Government had already set up a Committee on the Nursing Profession and that the Bill was premature.

The Prime Minister pointed out that the effect of the Bill would apparently be to compel the voluntary hospitals to do the same as the local authorities' hospitals which, in effect, would destroy them.

The Cabinet approved the line proposed by the Minister of Health.
8. The Cabinet had under consideration the Secretary of State for Wales and Monmouthshire Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 3rd December, 1937.

The Prime Minister said that the Private Member responsible for this Bill had approached the Parliamentary Secretary to the Treasury and the Home Office and had expressed himself very anxious to obtain a Second Reading for the Bill. He had suggested, therefore, that the Government should grant the Second Reading, but should make clear that they could not move a financial resolution. He was informed, however, that the Home Secretary (who was absent indisposed) was opposed to a Second Reading for the Bill and he did not propose to grant it. As mentioned in the preceding conclusion, this could be achieved by prolonging the discussion on the preceding Bill.

The Secretary of State for the Colonies agreed that there should be no Second Reading of this Bill but warned the Cabinet that the principle of the Bill had support among Welsh members of all parties and care ought to be exercised about damping down Welsh nationalism too heavily.

The Cabinet agreed:

That, if possible, a Second Reading should not be given to the Secretary of State for Wales and Monmouthshire Bill, and that this should be avoided as mentioned in the preceding conclusion by ensuring a prolongation of the discussion of the Local Authorities (Hours of Employment in connection with Hospitals and Institutions) Bill.
9. The Cabinet had under consideration the Dogs Act (1871) Amendment Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 3rd December, 1937.

As this Bill had not been printed, it was not discussed by the Cabinet.
10. The Cabinet had under consideration the Hire-Purchase Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, December 10th, 1937.

As this Bill had not been printed, it was not discussed by the Cabinet.
11. The Cabinet had under consideration the Street Playgrounds Bill, introduced in the House of Commons FR.46(37)/3 by a Private Member and down for Second Reading on Friday, 10th December, 1937.

As this Bill had not been printed, it was not discussed by the Cabinet.
12. The Cabinet had under consideration the Workmen's Compensation (Amendment) Bill, introduced by a Private Member and down for Second Reading in the House of Commons on Friday, 10th December, 1937.

As this Bill had not been printed, it was not discussed by the Cabinet.
13. The Cabinet took note of a Memorandum by the Prime Minister (C.P.-285 (37)) relating to the precautions that should be taken to safeguard the secrecy of Cabinet and Committee of Imperial Defence documents.

(Previous reference: Cabinet 43 (37). Conclusion 2.)
14. The Secretary of State for War gave the Cabinet full details of certain changes of personnel which, with the approval of the Prime Minister, he proposed to make at the War Office. His proposals included the creation of two new posts, namely, Deputy Chief of the Imperial General Staff and Deputy Master-General of Ordnance.

The Prime Minister thanked the Secretary of State for War for the very full information he had given and, after a short discussion, the Cabinet agreed:

To approve the proposals.
The Minister of Health recalled that the Cabinet, at a meeting referred to in the margin, had agreed that he should see Mr. Morrison, the Chairman of the London County Council in connection with two subjects, namely, Air Raid Precautions and transport matters, on which the Minister of Transport was anxious to reach a settlement. He had avoided proceeding far on the transport question, which was one for the Minister of Transport, as he was anxious to see what attitude Mr. Morrison would take in the discussions on the Air Raid Precautions Bill. He understood that the Home Secretary was now fairly satisfied as to Mr. Morrison's attitude on the latter question and considered his relations not unsatisfactory. He proposed to the Cabinet, therefore, that the Minister of Transport should proceed with his negotiations.

The Prime Minister thanked the Minister of Health for the valuable work he had done as an intermediary with Mr. Morrison and asked the Minister of Transport to explain the position.

The Minister of Transport said that what he wanted was a general appeasement with the London County Council. Comparing the position with that which faces us over German negotiations, he said that the settlement of Waterloo Bridge took the place in these negotiations that the Colonies took in those with Germany. He could not accomplish anything important in transport in London without a settlement as regards the bridge. This would involve a contribution of £400,000 towards the bridge. The question, therefore, was as to whether the vendetta over the bridge, which had now been pulled down, was to be continued on a different basis or not. He believed that for a sum of £400,000
the Government could get a general settlement redounding to the great advantage of London.
In reply to the Prime Minister, he said that arrangements could be made to ensure the concession being represented as part of the general settlement.

The Prime Minister thought it would be very wrong and bad tactics to pursue the quarrel over Waterloo Bridge any further. It was common sense to go forward with the Minister of Transport's proposal.

The Cabinet agreed:

That the Minister of Transport should have authority to negotiate a general settlement with the Chairman of the London County Council, as part of which he should be authorised to offer a contribution of £400,000 towards Waterloo Bridge.
16. The Chancellor of the Exchequer, at the request of the Prime Minister, made a full statement to the Cabinet as to the present financial position and prospects.

This was supplemented by the President of the Board of Trade from the point of view of industry and trade, and discussed by the Cabinet.

The Cabinet took note of a request by the Chancellor of the Exchequer that when Members of the Government were speaking in public, without going out of their way to deal with the matter at length and without giving too optimistic an impression, they should, with a view to countering pessimistic utterances in certain quarters, now and again drop a phrase about the essential economic strength of this country.

2, Whitehall Gardens, S.W.1.

1st December, 1937.
IRISH FREE STATE.

24th November, 1937.

SECRET

I have the honour to refer to two documents recently received by the High Commissioner from your Government, one an Aide-Mémoire in relation to censorship in time of war, and the other a note suggesting discussions on the control of food imports and exports in time of war.

For some time past the Government of Saorstat Eireann have been considering how best to protect the people of this country from the dangers to which they will be exposed in the event of the outbreak of another European war.

The measures that will in that event be necessary must depend fundamentally on the relations that will exist between our two countries at the time, and the steps to be taken in preparation now ought consequently to be guided by a just appreciation of what these relations are likely to be.

If the Irish Government has to envisage a continuance of the present strained relations between the two countries, their plans should obviously be very different from those appropriate to a situation in which there would exist between the two peoples a feeling of mutual trust and a disposition to co-operate in matters regarded by both as of common concern.

The Right Honourable
The Secretary of State for Dominion Affairs,
Downing Street, LONDON, S.W.1.
Sir,

I have the honour to refer to two documents recently received by the High Commissioner from your Government, one an Aide-Memoire in relation to censorship in time of war, and the other a note suggesting discussions on the control of food imports and exports in time of war.

2. For some time past the Government of Saorstát Eireann have been considering how best to protect the people of this country from the dangers to which they will be exposed in the event of the outbreak of another European war.

3. The measures that will in that event be necessary must depend fundamentally on the relations that will exist between our two countries at the time, and the steps to be taken in preparation now ought consequently to be guided by a just appreciation of what these relations are likely to be.

4. If the Irish Government has to envisage a continuance of the present strained relations between the two countries, their plans should obviously be very different from those appropriate to a situation in which there would exist between the two peoples a feeling of mutual trust and a disposition to co-operate in matters regarded by both as of common concern.

Right Honourable
The Secretary of State for Dominion Affairs,
Downing Street, LONDON, S.W.1.
5. This being the case, the Government of
Sóisarstat Éireann are satisfied that piecemeal discussion
between civil servants on the economic and other aspects
of the situation that would arise in the case of a
major war can achieve no useful purpose until some
prior understanding in principle has been reached between
the two Governments.

6. My Government consider it essential, therefore,
that members of the two Governments should meet as soon
as possible to consider all the important matters
involved, and would be glad to have an early intimation
of the views of your Government on this proposal.

I have etc.

(Signed) EAMON DE VALERA.

Minister for External Affairs.