AGENDA.

1. FOREIGN AFFAIRS.
   (a) Spain: Recognition of General Franco's Government.
       (Reference Cabinet 7 (39) Conclusion 6).
   (b) China: Financial Assistance to.
       (Reference Cabinet 7 (39) Conclusion 5).
       Memorandum by the Chancellor of the Exchequer.
       CP. 47 (39) - circulated herewith.

2. PALESTINE - (If required).
   (Reference Cabinet 7 (39) Conclusion 9).

3. THE ARMY: STATE OF PREPAREDNESS IN RELATION TO ITS ROLE.
   (Reference Cabinet 5 (39) Conclusion 3).
   Memorandum by the Secretary of State for War.
   CP. 27 (39) - already circulated.
   Note by the Minister for Co-ordination of Defence, covering Report by the Chiefs of Staff Sub-Committee.
   CP. 28 (39) - already circulated.
   Memorandum by the Prime Minister.
   CP. 49 (39) - to be circulated.

4. GOVERNMENT DEPARTMENTS: LOCATION OF IN WAR.
   Memorandum by the Minister for Co-ordination of Defence.
   CP. 43 (39) - already circulated.
5. AGRICULTURE (AMENDMENT) BILL.

(Reference Cabinet 6 (39) Conclusion 12).

Memorandum by the Minister of Agriculture and Fisheries and the Secretary of State for Scotland.
C.P. 45 (39) - already circulated.

6. CONCLUSIONS OF HOME AFFAIRS COMMITTEE.

4th Conclusions (39) of Committee of Home Affairs - to be circulated.

(a) Unemployment Insurance Bill.

(Reference Cabinet 56 (38) Conclusion 5).
Memorandum by the Minister of Labour, covering draft Bill.
H.A. 10 (39) - circulated herewith.

(b) Wheat (Amendment) Bill.

(Reference Cabinet 49 (38) Conclusion 16).
Joint Memorandum by the Minister of Agriculture and Fisheries, the Secretary of State for Scotland and the Home Secretary, covering draft Bill.
H.A. 11 (39) - circulated herewith.

7. PRIVATE MEMBERS' BILLS.

For Friday, 24th February, 1939.

(a) Shops Bill. Second Reading. (Mr. Leslie (La)).

(Already disposed of:
Reference Cabinet 7 (39) Conclusion 14).

(b) Highways Protection Bill. Second Reading.
(Mr. Henry Strauss (C)).

(Reference Cabinet 7 (39) Conclusion 15).

For Friday, 5th March, 1939.

(a) Water Supply Bill. Second Reading.
(Sir Reginald Clarry (C)).

(b) Coal Mines Bill. Second Reading.
(Mr. Gordon Macdonald (La)).

(Reference Cabinet 42 (.37) Conclusion 12).
(c) Contraceptives (Regulation) Bill. Adjourned. Debate on Second Reading. (Mr. Simmonds (C)).

(Already disposed of: Reference Cabinet 59 (38) Conclusion 14).

(Signed) E.E. BRIDGES,
Secretary to the Cabinet.

Richmond Terrace, S.W.1.
17th February, 1939.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.L., on WEDNESDAY, 22nd FEBRUARY, 1939, at 11.0 a.m.

PRESENT:-

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


The Right Hon. Sir Reginald Dorman-Smith, M.P., Minister of Agriculture and Fisheries.

The Earl Stanhope, K.G., D.S.O., M.C., First Lord of the Admiralty.

The Earl Stanhope, K.G., D.S.O., M.C., First Lord of the Admiralty.

The Earl Stanhope, K.G., D.S.O., M.C., First Lord of the Admiralty.

The Earl Stanhope, K.G., D.S.O., M.C., First Lord of the Admiralty.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on WEDNESDAY, 22nd FEBRUARY, 1939, at 11.0 a.m.

PRESENT:-

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


The Right Hon. The Earl Stanhope, K.G., D.S.O., M.C., First Lord of the Admiralty.

The Right Hon. Sir Kingsley Wood, M.P., Secretary of State for Air.

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

The Right Hon. Walter Elliot, M.C., M.P., Minister of Health.

The Right Hon. Sir Reginald Dorman-Smith, M.P., Minister of Agriculture and Fisheries.

Sir E. Bridges, K.C.B., M.C., Secretary, in the Chair for Conclusions 1-7.

The Right Hon. Lord Maugham, Lord Chancellor.


The Right Hon. Malcolm MacDonald, M.P., Secretary of State for the Colonies.


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

The Right Hon. John Colville, M.P., Secretary of State for Scotland.

The Right Hon. The Earl De La Warr, President of the Board of Education.

The Right Hon. E.L. Burgin, M.P., Minister of Transport.
CABINET S(39).

CONCLUSIONS of a Meeting of the Cabinet held on WEDNESDAY, the 22nd FEBRUARY, 1939, at 11.0 a.m.

<table>
<thead>
<tr>
<th>Conclusion No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>THE CABINET: NEXT MEETING.</td>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
<td>THE INTERNATIONAL SITUATION:</td>
<td>2-3.</td>
</tr>
<tr>
<td></td>
<td>Italy and Germany.</td>
<td>2.</td>
</tr>
<tr>
<td></td>
<td>Supply of Information to Dominion Governments.</td>
<td>3.</td>
</tr>
<tr>
<td></td>
<td>Representation of Italy on Suez Canal Board.</td>
<td>3.</td>
</tr>
<tr>
<td>3.</td>
<td>SPAIN: Recognition of General Franco's Government.</td>
<td>5.</td>
</tr>
<tr>
<td>4.</td>
<td>CHINA: Financial Assistance to.</td>
<td>7.</td>
</tr>
<tr>
<td>5.</td>
<td>PALESTINE: The London Conferences.</td>
<td>11.</td>
</tr>
<tr>
<td>7.</td>
<td>GOVERNMENT DEPARTMENTS: Location of in Time of War.</td>
<td>25.</td>
</tr>
<tr>
<td>8.</td>
<td>THE AGRICULTURE (AMENDMENT) BILL: Oats and Barley.</td>
<td>31.</td>
</tr>
<tr>
<td>9.</td>
<td>THE UNEMPLOYMENT INSURANCE BILL.</td>
<td>34.</td>
</tr>
<tr>
<td>10.</td>
<td>THE WHEAT (AMENDMENT) BILL.</td>
<td>35.</td>
</tr>
<tr>
<td>11.</td>
<td>THE HIGHWAYS PROTECTION BILL.</td>
<td>36.</td>
</tr>
<tr>
<td>12.</td>
<td>THE WATER SUPPLY BILL.</td>
<td>37.</td>
</tr>
<tr>
<td>13.</td>
<td>THE COAL MINES BILL.</td>
<td>38.</td>
</tr>
</tbody>
</table>
1. THE PRIME MINISTER reminded his colleagues that the next weekly Meeting of the Cabinet would be held on Thursday, 2nd March, as he was to be in attendance on the King at the Birmingham section of the British Industries Fair on Wednesday, 1st March.
saw that his colleagues would have seen some recent
telegrams reporting interviews between the Earl of
Perth and Count Ciano in regard to articles in the
Italian Press, hostile both to this country and to
France and particularly to the latter (Telegrams
Nos. 111 and 112 from Rome).

The Foreign Secretary said that a telegram had
been despatched to the Earl of Perth on the previous
evening urging him, if he had another opportunity to
discuss the matter with Count Ciano, to deal with
it somewhat more emphatically. He thought that Italy
was behaving in a dangerous manner vis-à-vis France.

The Secretary of State referred to the question
of military activities on the Brenner, to which
allusion had been made at the Meeting of the Cabinet
referred to in the margin. He said that a reply had
now been received from our Ambassador at Rome
(telegram No. 105) reporting that enquiries by His
Majesty's Consul at Milan had not so far elicited any
information as to movements of German war material
or troops into Italy. The telegram added that in
local military circles there was growing opposition
to the Government's policy, which was held to involve
risk of war.

The Foreign Secretary then referred to a telegram
which had been received the previous day from our
Ambassador at Washington (telegram No. 76). This
telegram reported a conversation which our Ambassador
had had on the 20th February with the Under-Secretary
of State at Washington, who had received, from the
French General Staff, information of a somewhat
disquieting nature as to German and Italian military
activities. The Secretary of State read out this
telegram and said that he thought that the information
contained in it was probably somewhat distorted, but that he would make such enquiries as were possible.

THE PRESIDENT OF THE BOARD OF TRADE then referred to a telegram (No. 116) which had been received from the Earl of Perth on the previous evening reporting information received from the United States Ambassador at Rome regarding a conversation which Signor Landini, the Italian Press Attaché in Paris had recently had with Signor Mussolini. Signor Landini had said that Italian desiderata were—

(1) representation on the Suez Canal Board and reduction of Canal dues,

(2) a free port at Jibuti and arrangements for use of the railway, and

(3) an arrangement for the Italian Colony in Tunis whereby they should be placed on the same footing as French subjects.

THE SECRETARY OF STATE FOR AIR said that a suggestion had been made to him on a previous occasion by the French Air Minister that it might be desirable that this country and France should give information to the United States on similar lines.

In discussion it was agreed that it was desirable that the Dominions should be kept informed of developments by means of periodic résumés telegraphed to them every three or four days, but that care should be taken not to incorporate into such messages any unsubstantiated rumours.

THE LORD CHANCELLOR said that he appreciated that under the present constitution of the Suez Canal Board it would be impossible to agree to an Italian becoming a member of the Board without the serious disadvantage that he
would thereby get information on secret defence matters. He thought, however, that it should be possible to alter the constitution so as to permit of an Italian becoming a member of the Board without his being made aware of defence matters.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said he thought that there was a further objection, that at the present moment an Italian national could not become a member of the Canal Board unless he was elected by the French shareholders, and he thought that great pressure would be required to bring this about.

The Cabinet took note of the above statements in regard to Italy and the Suez Canal Board, and agreed:

(1) That the Secretary of State for Dominion Affairs should arrange that the Dominion Governments should be kept informed of developments in regard to the international situation by means of periodic résumés telegraphed to them every three or four days, but that care should be taken not to incorporate into such messages any unsubstantiated rumours.

(2) To invite the Secretary of State for Foreign Affairs to arrange for examination of the Lord Chancellor's suggestion in regard to the possibility of revising the constitution of the Board of the Suez Canal Company so as to enable an Italian national to become a member of the Board, but without giving him access to information on defence matters.
3. THE SECRETARY OF STATE FOR FOREIGN AFFAIRS reminded his colleagues of the conclusions reached at last week's Meeting of the Cabinet on the question of recognition of General Franco's Government in Spain. A telegram had been despatched to Burgos to give effect to these decisions, indicating that, while we did not wish to impose conditions, it would be helpful if General Franco was prepared to give certain undertakings. No direct answer had been received to this telegram. On Thursday evening last he had seen the Spanish Ambassador, who had informed him that the Spanish Government had decided that they would be prepared to cease hostilities if General Franco would give an assurance on the question of reprisals, and that they would not insist upon an assurance on the other two points previously mentioned. We had offered assistance in negotiations on this basis, and a draft telegram which had been prepared with this end in view had been shown to the Spanish Ambassador. The latter had, however, asked for time to consider the matter; the next news had been that he had gone over to Paris and two or three days had elapsed during which it had been impossible to secure any definite answer from any of the parties to the negotiations.

Continuing, the Foreign Secretary said that he had met the Spanish Ambassador on Monday evening and that they had agreed that, as he could not assure us that the action which we proposed to take would have the support of his Government, the best course would be that we should act on our own initiative.
On the Tuesday afternoon telegram No. 88 had been received from Sir Robert Hodgson. The text of this telegram was corrupt, and it was not clear whether the message contained in the telegram was an answer to the enquiries made by us or whether it represented the text of a public announcement. The Foreign Secretary thought, however, that this message was, in part at least, attributable to the representations which we and the French Government had made. Although its substance was not altogether satisfactory, he thought that the right course was to accept the message as the best assurance that we were likely to receive, and to recognise General Franco without further delay. Accordingly a telegram had been despatched to our Ambassador at Paris (telegram No. 61) indicating that we wished to announce our recognition of General Franco at the earliest possible moment, and in any case not later than the 24th February, and that we hoped the French would agree to this course and would make a simultaneous announcement. In effect this telegram invited the French Government to reach a decision as quickly as possible, but did not imply that we would take action without consulting them.

The Foreign Secretary added that no recent information had been received as the result of M. Bérard's mission to Burgos.

After a short discussion the Cabinet agreed:

To authorise the Secretary of State for Foreign Affairs to accord recognition to General Franco's Government, and, in so doing, to follow the procedure suggested by him and summarised above.

(See also Conclusion 4 below.)
4. In conformity with the conclusion mentioned in the margin, the Cabinet had before them a Memorandum by the Chancellor of the Exchequer (G.P. 47 (39)) outlining a scheme, prepared by the Treasury in consultation with certain British Banks and the adviser to the Chinese Government, with the object of maintaining, so far as possible, stability in the sterling value of the Chinese dollar, by means of an Exchange Stabilisation Fund. Notwithstanding the considerable risk involved in any such scheme, it might well be argued that it would be better to start the Fund at a figure of, say, £10 millions (instead of the £6 millions previously proposed), of which the Chinese Banks would contribute £5 millions and we should contribute a like amount. The Chancellor asked authority to settle within a total of £5 millions. The Fund would be managed by a Committee, of which particulars were given, and the intention was that the Fund should be wound up after the close of hostilities. The transaction would take the form of a banking operation and not a direct loan to the Chinese Government. This procedure would therefore be less provocative to Japan. Legislation would, however, be required, and the Chancellor proposed that it should take the form of the Treasury being authorised to give guarantees to British Banks in respect of operations to maintain the stability of Chinese currency, provided that the amount of the loss to be made good should not exceed £3 (or £5) millions.

As regards conditions attaching to the loan, the Chancellor made the following recommendations:-

(a) the offer should not be made conditional on the Chinese Government resuming their obligation to meet the full service of China's foreign loans. The Chinese Government had just given notice of their inability to do this on the ground that the Japanese now occupied ports which produced some 70 per cent. of China's total revenue,
(b) it was considered desirable, however, to obtain from the Chinese Government some reasonable offer, and, if possible, to get the representatives of the bondholders to recommend that offer as acceptable.

(c) the contemplated support should not be conditional on the implementation of the Customs arrangements negotiated with the Japanese Government last May, though it was felt at the same time that every effort should be made to secure that appropriate quotas towards the service of the foreign loans should be allocated from the Customs revenues collected in the areas under Japanese control. The Chinese Government, however, would not be held responsible for the transfer of these quotas into foreign currency.

THE CHANCELLOR OF THE EXCHEQUER, in outlining the main points of his Memorandum, explained that there were three points still unsettled. First, that his advisers were not yet satisfied whether the total of the fund should be fixed at £6 millions or £10 millions. The Chancellor asked for authority to settle this matter in the light of the further advice which he would receive. Secondly, he attached importance to the Chartered Bank and the Hong Kong and Shanghai Bank taking some share in the risk. He was pressing them further on this matter, but he asked for authority to allow the scheme to proceed, if need be, even if neither of these two Banks would be willing to take any share in the risk. The third point concerned the service of China's foreign loans secured on the customs. He thought that an endeavour should be made to secure some arrangement by which the Chinese Government would undertake to pay a proportion of their obligations on their foreign loans, corresponding to the proportion of her former revenue which China still received now that the Japanese were in occupation of her ports. There was, of course, the likelihood that complaints would be made
if the Exchequer guaranteed a loan to support the Chinese currency, at a time when China was ceasing to pay interest on her foreign loans, which were largely held in this country.

THE PRIME MINISTER thought that one answer to any such complaint would be that we had a direct interest in the Chinese currency, as the result of our China trade, and that this interest was independent of China’s foreign loans. He enquired whether the Chancellor of the Exchequer and the Foreign Secretary thought that we should now take action on the lines proposed, without any further parallel action on the part of the United States.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the view taken by the United States Government was that, if we guaranteed a loan of £3 millions, we should then have done about as much as the United States had done for China, whereas if we guaranteed a loan for £5 millions we should have done rather more. He had asked the United States Ambassador’s opinion on this matter and the latter had said that public opinion in the United States would be shocked if they knew how much the United States Government had done for China. The Foreign Secretary thought that the United States would be prepared to make public some, but not all, of the help which they had afforded to China. He also thought that the decision to act on the lines proposed would be of considerable value from the point of view of public opinion in the United States, and also in Japan. In the latter case it would be linked with the Japanese occupation of Hainan.
THE PRIME MINISTER hoped that the Cabinet would give the authority asked for. At one time he had felt considerable doubt about this proposal, but he was now satisfied that it could be adopted without any fear of provoking retaliation from Japan, and that it would have salutary effects in that country.

Discussion ensued as to when an announcement should be made. THE CHANCELLOR OF THE EXCHEQUER thought that the outstanding questions could be settled within a few days.

The view was generally expressed that it would be desirable to make an announcement within, say, the next week. It was agreed that it would be desirable, if possible, that an announcement on this matter, and our recognition of General Franco's Government, should be made on the same day.

The Cabinet agreed:

(1) To approve the proposals set out by the Chancellor of the Exchequer in his Memorandum (C.P. 47 (39)), and to authorise the Chancellor to reach a settlement as regards the outstanding points involved, viz. -

   (a) whether the amount to be guaranteed should be £3 millions or £5 millions;

   (b) whether the Hong Kong and Shanghai Bank and the Chartered Bank should be required to cover some part of the risk;

   (c) whether an undertaking should be obtained from the Chinese Government in regard to the payment of a proportion of the service of China's foreign loans.

(2) To authorise the Chancellor of the Exchequer and the Secretary of State for Foreign Affairs to make the arrangements in regard to an early announcement of the decision reached on this matter, bearing in mind that, if possible, an announcement should be made on the same date as the announcement of recognition by His Majesty's Government of General Franco's Government.
THE SECRETARY OF STATE FOR THE COLONIES said that he had had a difficult week. Considerable discussion had taken place as regards the McMahon-Hussein correspondence. A Committee had been appointed to consider this correspondence, and he was most grateful to the Lord Chancellor for undertaking the Chairmanship. He feared, however, that the probable upshot would be that the Committee would report that, after investigating the matter, they were unable to reach agreement.

THE LORD CHANCELLOR explained some of the difficulties in dealing with the English texts which had been badly translated into Arabic, and in regard to which there was sometimes more than one Arabic translation. He hoped, however, that we should be able to persuade the Arabs that we had acted honestly.

THE SECRETARY OF STATE FOR THE COLONIES then explained the course of the discussions with the Jewish representatives, who had shown themselves willing to make quite considerable concessions. With regard to immigration, they were ready to make considerable concessions during the next ten years, provided the position thereafter was left open. He had pressed them to accept plan B, under which immigration after ten years could only be agreed to if the Arabs consented, but the Jewish representatives had made it clear that they would neither accept nor acquiesce in a settlement on these lines.

As regards the land question and constitutional questions, discussions had been quite general.
On the Arab side the discussions had been very difficult. As he had informed his colleagues at the previous meeting, he had initiated private discussions with the representatives of the Neighbouring Arab countries, and he had informed his colleagues that Ali Maher had said that he thought the proposals represented the basis of an agreement, with slight modifications, but that he (the Colonial Secretary) thought that this was much too optimistic.

Unfortunately, this forecast was only too well justified. Ali Maher had been foremost in insisting on acceptance of the full of the Arab claims. These claims fell under three heads:

1. Recognition of an independent Arab State.
2. Complete stoppage of immigration.
3. Complete stoppage of land sales to Jews.

It was clear that far more insistence was placed on the first than on the second and third claims.

Our information had been that the representatives of the Palestinian Arabs had not originally intended to insist on the first claim, but were really more interested in the second and third. There was reason to think, however, that they had been encouraged by Nuri Pasha in particular to adhere to the first claim, and that Ali Maher had supported them in this attitude.

Although there was this rigid insistence on recognition of an independent Arab State, it was clear that none of the neighbouring Arab States was anxious to see Great Britain leave Palestine - at any rate within the next fifteen or twenty years.
They were more concerned with the form than with the substance of independence. It had been suggested by the Arab representatives that a solution could be reached on the lines of the regime which had been in force for some years in Iraq, while arrangements for a constitutional Assembly were being worked out. A provisional Government of Iraqi Ministers had been established, with British Advisers; during this period, which lasted some four years, the Iraqi Ministers had been a facade, and the British Advisers had been the real rulers of the country. Nuri Pasha was urging us to follow this precedent. One great difficulty in finding a solution on these lines was of course that the population of Palestine was not confined to Arabs. Nevertheless, if some means could be found of meeting this claim for recognition of an independent State, he thought that the Palestinian Arabs might be willing to make some concession on immigration based on their sympathy for the plight of the Jewish refugees.
Continuing, the Secretary of State for the Colonies said that he realised that considerable risks were inherent in this proposal, and that we must not allow ourselves to be landed in recognition of an independent Arab State. He had, however, promised to consider these proposals carefully, and a good deal of work was being done in investigating them.

The Secretary of State informed the Cabinet that he had spent much time in trying to persuade the representatives of the Jews and of the three neighbouring Arab States to meet at a round table conference. He had arranged for this conference to take place on the ensuing day. The Jews had then been guilty of an act of great stupidity: they had sent a letter to the Press (which was published in that morning's 'Times'), announcing the meeting, and saying that they had always been prepared on conditions to discuss matters with the Arabs. Faud Bey had said that in view of this letter he thought it was impossible for the Arabs to come to the proposed conference, and had asked that it should be deferred. But he still hoped that he would be able to get the round table discussion started, notwithstanding this set-back.

The Secretary of State for Foreign Affairs said that he had not been able to attend the Conference frequently, but, whenever he did, he found the Secretary of State for the Colonies imperturbable in the midst of a babel of confusion.
He had seen a good deal of the Arab representatives, and he was satisfied that much would depend on whether we could meet the Arab demand for independent status without giving away more than we could safely do, and provided that a position analogous to that which Iraq had occupied could be substituted for the Mandate. The representatives of the Arabs were ready to agree that we should have the right to veto legislation which would be prejudicial to the Jews.

THE SECRETARY OF STATE FOR THE COLONIES said that it was clear that the demand centred mainly on the form rather than the substance of independence. In reply to the Lord Chancellor, he agreed that what was asked for was recognition of an independent Palestine State, rather than of an independent Arab State.

THE SECRETARY OF STATE FOR HOME AFFAIRS said that he thought that the Iraq precedent indicated a number of dangers which should be avoided. His recollection was that Nuri Pasha had made much the same sort of representations when claiming independent status for Iraq, but that this had not prevented Iraq from adopting a very difficult attitude as soon as the Treaty had been signed.

The Cabinet took note of this statement and agreed to await further developments.
6. The Cabinet had under consideration a Memorandum by the Prime Minister (C.P. 49 (39) on the State of Preparedness of the Army in relation to its rôle, in which he informed his colleagues that, in accordance with the Conclusion referred to in the margin, two meetings had been held, attended by himself, the Chancellor of the Exchequer, the Minister for Co-ordination of Defence, the Chancellor of the Duchy of Lancaster and the Secretary of State for War, at which the proposals of the latter (C.P. 27 (39)) and of the Chiefs of Staff (C.P. 28 (39)) had been discussed. The Conclusions reached at these meetings may briefly be summarised as follows:-

**FIRST (REGULAR) CONTINGENT - ITEMS (1) - (3).**

Item (1) - The Mobile Division to be organised into 2 smaller Divisions, at an estimated cost of £5 millions.

**RECOMMENDATION:** Acceptance of this proposal.

Item (2) - First two Regular Divisions to be provided with full Equipment and Reserves at an estimated cost of £13 millions.

Item (3) - Second two Regular Divisions to be equipped as in (2), at an estimated cost of £11 millions.

**RECOMMENDATION:** That all four Regular Divisions should be provided with Equipment and Reserves on the scale estimated to be required for continental warfare.

With regard to the question of the period between mobilisation and the dates when the first and second echelons of the First (Regular) Contingent should be ready to embark, the Chiefs of Staff were examining whether the despatch of the first echelon could be expedited. In view of the forthcoming Staff Conversations with the French, however, the Prime Minister and his colleagues felt that it would be unwise to reach
a final decision as to the dates on which the first and second echelons should be despatched overseas.

RECOMMENDATION: That for the present the Secretary of State for War should be authorised to proceed on the basis that the first echelon would be ready to embark in 61 days, and the second echelon in 60 days after mobilisation. This meant acceptance of item (2) as it stood (estimated cost £13 millions) and of item (3) at a reduced cost of £9,600,000.

Item (4) - Formation of two "Colonial" Divisions out of existing non-field force units and provision for these two Divisions of Equipment and Reserves on a Colonial Scale. Estimated cost £11 millions.

RECOMMENDATION: That this question should be deferred until a decision had been reached on the Report of the Expert Committee on the Defence of India.

Item (5)(a) - Provision of War Equipment and Reserves for four Territorial Infantry Divisions at an estimated cost of £30 millions.

RECOMMENDATION: Acceptance of the proposal, subject to the modification that in the forthcoming Staff Conversations our representatives should proceed on the assumption that these four Territorial Divisions should be fully equipped and ready to embark 6 months, instead of 4 months, after the outbreak of war. This would reduce the cost by some £3 to £4 millions. Particular importance was attached to early steps being taken to create the war potential required to maintain these four Divisions in the field.

Finally, the Memorandum stated that the figures given were approximate only and were subject to financial review; also, that the recommendations contained therein were subject to detailed examination between the War Office and the Treasury of the expenditure necessary to carry out the Secretary of State for War's proposals.
THE PRIME MINISTER said that the proposal set out in the Memorandum represented a serious addition to our liabilities. He would like to explain the reasons why he felt that there was no alternative to the course proposed.

Item (1) (the Mobile Division) was a technical matter. The technical experts attached considerable importance to the change proposed which would add materially to the effectiveness of the mobile force. He did not think that this proposal could be refused.

Item (2) raised two points. The first was that for the present these two regular divisions were equipped for defensive warfare only. This was part of the conception of an army available for service in any part of the world, but not specially equipped for Continental warfare. Hitherto the Cabinet had not been asked to agree to any commitment that these two divisions would be sent to the Continent. The situation, however, had been changed by the events of the previous Autumn, and France now had to face the possibility of meeting a far stronger German force. There was also a feeling in France that we should not be playing an adequate part unless we made some contribution on land.

It was therefore necessary to depart from the conception of an army available for service anywhere, and to envisage one army equipped for service on the Continent and a second army equipped for service in the Colonies or elsewhere overseas. Not only did this involve a higher scale of equipment and reserves for the forces to be despatched to the Continent, but we must also take steps to ensure that the first echelon could be despatched as quickly as possible. The Prime Minister added that while he had come to this conclusion with some reluctance, he saw no alternative.
As regards item (3) (the second echelon of the regular field army), hitherto there had been no commitment to send these divisions to France. It was now proposed that we should enter into such a commitment. It followed that these two divisions also must be properly equipped for that purpose. There remained, however, the possibility of effecting some reduction in the reserves which must be accumulated in peacetime. The Prime Minister explained that the extent of these reserves depended on the period which would elapse before these divisions were engaged in hostilities; the longer this period, the more stores could be accumulated by the factories after the outbreak of war. The saving proposed (£1,400,000) was not large, but we could not afford to add any unnecessary item of expenditure. At the same time if, as a result of the Staff Conversations, it should appear that there were strong reasons for sending the second two divisions in 40 instead of 60 days, this matter might have to be reconsidered, and the element of expense involved would not, in his view, turn the scale.

Reverting to item (5), the present proposal was that the first two divisions should be ready to embark three weeks after mobilisation, but considerable time would be occupied in embarkation and trans-shipment. The amount of time involved was so considerable that he had asked for it to be further investigated by the Chiefs of Staff. The Cabinet might have to consider further proposals designed to accelerate the despatch and trans-shipment of the first echelon.

Turning to item (5), the Prime Minister explained the present composition of the Territorial Army, which comprised 5 Anti-aircraft divisions, 9 infantry divisions, 3 mobile divisions and various miscellaneous units.
which could be grouped into a further division. Unless the proposals in the present paper were accepted, it would be impossible for any of these divisions (other than the anti-aircraft divisions) to engage in hostilities until a year after the outbreak of war. While he did not ask the Cabinet to reach a decision that the Territorial Army should go overseas on the outbreak of war, he thought that we should be in a position to send some part of the Territorial Army overseas in less than a year if we so desired. He thought that public opinion would become restive if the present position became widely known. He was satisfied that we must be in a position in which we could exercise our discretion and send part of the Territorial Army overseas in less than a year after the outbreak of war if we so desired. The suggestion in this paper would enable us to send four divisions overseas after six months. He emphasised that while it was proposed to enter into a definite commitment as regards the four regular divisions and the mobile divisions, there would be no such commitment in regard to the Territorial Army. Finally, the Prime Minister said he thought it was not advisable that any final decision should be reached until the Staff Conversations with the French and perhaps the Belgians had taken place. He thought that for the purpose of these conversations it was desirable to have some provisional plan on which to work and he proposed that our representatives should enter on discussions on the basis indicated. If however the French representatives pressed strongly for some alteration in this provisional plan, the matter could of course be reconsidered.
As regards the Colonial Divisions, the Prime Minister explained that he thought that a decision should be deferred. It seemed likely that some further units might become available from India.

The Secretary of State for War said that he was most grateful to the Prime Minister for the interest which he had shown in this matter, and to the Chancellor of the Exchequer for the attitude which he had adopted. Subject to a decision as to the proposed Colonial Divisions, the proposals set out in the Prime Minister's Memorandum would give the War Office what they required. He agreed, however, that the dates at which the first and second echelons of the Field Force should be ready to embark might require further examination.

The Minister for Coordination of Defence said that the position had greatly changed in the last six months. The present proposals represented a considerable advance on the previous conception, and would make the role of the Army far more definite. He thought that the proposals represented a good basis for discussion with the French of our combined war plans. The question of accelerating the date of despatch of the Field Force to the Continent was under consideration by the Chiefs of Staff. Their Report was not yet available, but he understood that they were likely to report that, short of some major action, such as building special ships - a course which would take two years - the most that could be done would be to accelerate the despatch of the first echelon by some two or three days.

The Chancellor of the Exchequer said that, while he was gravely disturbed at the financial aspect of these proposals, other aspects of this matter outweighed finance, and he felt that he had no alternative but to agree with the proposals in the Memorandum. At the same time he felt bound
to make two points; first, that he hoped that the Minister for Co-ordination of Defence and the Secretary of State for War would do all they could to ensure that the expenditure was kept within the estimates of cost; second, that, as Chancellor of the Exchequer, he accepted these proposals on the understanding that they were balanced proposals and represented a complete scheme, and that it would not be necessary to add a number of supplementary and costly further items, in order to render the force effective.

The Secretary of State for Foreign Affairs said that he was concerned that no definite reply had been received from the French Government in regard to the proposed Staff Conversations. He hoped that the French were not occupying time in working out a number of suggestions that would prove inconvenient to us, such as, for example, conscription. A telegram had been despatched to Paris the previous night to say that we were ready for the Staff Conversations to start.

In regard to the dates of embarkation, the Secretary of State added that he was glad to note that this matter might be re-considered, as his own feeling was that whatever help we sent would be required quickly.

The Secretary of State for Home Affairs, referring to the discussion in the Cabinet a fortnight ago, enquired what was the position in regard to the second part of the scheme for the extension of the Air Defence of Great Britain, to which he attached even greater importance than to the present proposals. He assumed that acceptance of the present proposals would not prejudice consideration of this scheme for the further expansion of A.D.G.B.
to make two points; first, that he hoped that the Minister for Co-ordination of Defence and the Secretary of State for War would do all they could to ensure that the expenditure was kept within the estimates of cost; second, that, as Chancellor of the Exchequer, he accepted these proposals on the understanding that they were balanced proposals and represented a complete scheme, and that it would not be necessary to add a number of supplementary and costly further items, in order to render the force effective.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that he was concerned that no definite reply had been received from the French Government in regard to the proposed Staff Conversations. He hoped that the French were not occupying time in working out a number of suggestions that would prove inconvenient to us, such as, for example, conscription. A telegram had been despatched to Paris the previous night to say that we were ready for the Staff Conversations to start.

In regard to the dates of embarkation, the Secretary of State added that he was glad to note that this matter might be re-considered, as his own feeling was that whatever help we sent would be required quickly.

THE SECRETARY OF STATE FOR HOME AFFAIRS, referring to the discussion in the Cabinet a fortnight ago, enquired what was the position in regard to the second part of the scheme for the extension of the Air Defence of Great Britain, to which he attached even greater importance than to the present proposals. He assumed that acceptance of the present proposals would not prejudice consideration of this scheme for the further expansion of A.D.G.B.
THE MINISTER FOR CO-ORDINATION OF DEFENCE explained that this scheme was under further examination by the Home Defence Committee.

THE PRIME MINISTER said that he thought acceptance of the present proposals would not prejudice further consideration of the scheme referred to.

THE SECRETARY OF STATE FOR WAR said that up to this year there had been no Parliamentary pressure in regard to the Field Force, but pressure was now becoming evident. It was argued that our solidarity with France involved the growing importance of assistance on land. He thought that the present proposals were justified on two main grounds: first, the troops to be sent to the Continent must be properly equipped; second, in regard to the Territorial Army the arrangements proposed would enable us to tide over the period of the first year, during which we should otherwise be unable to send any Territorial troops overseas. The present proposals would enable us to maintain a flow of troops overseas from the beginning of the war to the end. He explained that he did not propose to earmark any particular Territorial Divisions as the four Divisions which would be the first to be despatched overseas.

THE MINISTER OF HEALTH referred to the number of developments in regard to Civil Defence which were likely to involve considerable increased expenditure, and said that he was disposed to share the views expressed by the Home Secretary as to the vital importance of measures concerning Home Defence.

The Cabinet agreed:

(1) To approve the proposals set out in the Prime Minister's Memorandum (C.P. 49 (39)) as summarised above.

(2) That in the forthcoming Staff Conversations with the French, our representatives should proceed on the basis that the
first and second echelons of the Field Force would be ready to embark in 91 and 60 days, respectively, after mobilisation; but that no commitment should be entered into as regards the Territorial contingent.
7. The Cabinet had before them a Memorandum by the Minister for Co-ordination of Defence (C.P. 43(39)) furnished in accordance with Conclusion 10 (b) of the 344th Meeting of the Committee of Imperial Defence, on the subject of the location of Government Departments in time of war. In this Memorandum attention was drawn to the assumptions on which the First Interim Report (C.I.D. Paper No. 304-A) of the reconstituted Sub-Committee on the Evacuation of Government Departments in the Event of War was framed, and Cabinet direction was sought regarding the basis on which the Sub-Committee should continue its work. After describing the short and long-term plans contained in the Sub-Committee's Report, which had been prepared in the light of experiences during 1938, the Minister summarised as follows the questions on which he desired guidance before the details of the short and long-term plans could be finally settled:

**Short-term plan.**

(a) Can it be assumed that at the outbreak of war Government Departments will remain in the central area?

(b) Is it agreed that if it becomes necessary to move the Government machine as a whole from Central London, the move should be direct to the provinces and not to the north-west suburbs?

**Long-term plan.**

(a) Can it be assumed that the Departments and Headquarter Branches remaining in London in peace-time will remain in the central area on the outbreak of hostilities, and, if so, in the event of the Government machine having to leave London, will they move direct to the provinces?

(b) Is it agreed that all Government Departments and branches of Departments not really required in London should be located in peace-time in the provinces as soon as practicable?

(c) Should provision be made for deep bomb-proof shelters in the central area for the five
War Rooms of the Cabinet, Service Departments and Home Security Organisation as a minimum, any extension depending on further investigation as to cost, practicability and need in the light of the general Government policy in this matter.

THE MINISTER FOR CO-ORDINATION OF DEFENCE outlined the main points in his Memorandum. He thought that in it there was no alternative to acceptance of the short-term plan. As regards the long-term plan this was really based on the same principle, the chief difference was that steps should be taken to remove all except absolutely essential staffs from London. This involved the reversal of a previous Cabinet decision. The process of removal of non-essential staffs from London would of course take a considerable time.

In the discussion which ensued THE SECRETARY OF STATE FOR AIR said that the Air Staff could not contemplate the continued functioning in Whitehall of the essential staffs of Government offices after the outbreak of an emergency with any degree of confidence. While he did not wish to raise the point again, he reminded his colleagues that a proposal had been submitted to locate the headquarters of the Air Ministry in peace-time outside London, but that this proposal had not been accepted. He thought that it was essential that the preparation of accommodation, in the provinces, and in particular the instalment of the necessary communications, should proceed as rapidly as possible, in order to make it possible for essential Government Departments to move quickly to the provinces.
THE FIRST LORD OF THE ADMIRALTY emphasised the importance of moving non-essential staffs from Whitehall as early as possible. In further discussion it was explained that the Governors of certain schools in the West of England had been informed that their premises would be occupied by Government Departments on the outbreak of war. They were somewhat concerned, and it seemed likely that this would lead to a disclosure in peace-time of the Government's intentions in this matter. The view was expressed that it was undesirable to allow it to become known that Government Departments were likely to move to specified localities on, or soon after the outbreak of war. On the other hand, once the move of non-essential staffs under the long-term plan was started, the general principle on which we intended to act would inevitably be disclosed.

THE MINISTER OF HEALTH raised the question of new Departments to be set up on the outbreak of war, and suggested that it might be convenient that such Departments should be mobilised in the north-western suburbs instead of in the Whitehall area.

THE CABINET agreed to accept the short-term plan suggested, subject to further consideration of the point raised by the Minister of Health.

(At this point the Prime Minister left the Meeting, and the Chancellor of the Exchequer took the Chair.)

As regards the long-term plan, the MINISTER FOR CO-ORDINATION OF DEFENCE said that he asked that Departments would apply the scheme of decentralisation from London as drastically as possible.
THE FIRST LORD OF THE ADMIRALTY emphasised the importance of moving non-essential staffs from Whitehall as early as possible. In further discussion it was explained that the Governors of certain schools in the West of England had been informed that their premises would be occupied by Government Departments on the outbreak of war. They were somewhat concerned, and it seemed likely that this would lead to a disclosure in peace-time of the Government's intentions in this matter. The view was expressed that it was undesirable to allow it to become known that Government Departments were likely to move to specified localities on, or soon after the outbreak of war. On the other hand, once the move of non-essential staffs under the long-term plan was started, the general principle on which we intended to act would inevitably be disclosed.

THE MINISTER OF HEALTH raised the question of new Departments to be set up on the outbreak of war, and suggested that it might be convenient that such Departments should be mobilised in the north-western suburbs instead of in the Whitehall area.

THE CABINET agreed to accept the short-term plan suggested, subject to further consideration of the point raised by the Minister of Health.

(At this point the Prime Minister left the Meeting, and the Chancellor of the Exchequer took the Chair.)

As regards the long-term plan, the MINISTER FOR CO-ORDINATION OF DEFENCE said that he asked that Departments would apply the scheme of decentralisation from London as drastically as possible.
THE MINISTER OF TRANSPORT said that he thought there were a number of questions still to be settled as to the choice of the Departments to be located in particular areas. This matter must be considered in relation to the need for contact between the Departments concerned.

THE LORD CHANCELLOR said that while it would be possible for him to effect a considerable degree of decentralisation from London in war, under the Defence of the Realm Regulations, he thought that decentralisation in time of peace would be a lengthy and expensive process unless powers were given to requisition premises.

THE CHANCELLOR OF THE EXCHEQUER explained that the Rae Committee were in fact continuing to make arrangements on the lines recommended in their report, and that the reason for this submission to the Cabinet was that the Committee felt that the general lines on which they were proceeding should receive the approval of Ministers.

Discussion then turned as to the provision of deep bomb-proof shelters in the central area for five War Rooms.

THE SECRETARY OF STATE FOR FOREIGN AFFAIRS said that the provision for deep bomb-proof accommodation to enable essential Foreign Office activities to continue should be investigated.

THE SECRETARY OF STATE FOR AIR asked that consideration should be given, as rapidly as possible, to the provision of buried communications, and to the cost, practicability and need for an extension of the bomb-proof accommodation to provide for activities other than those carried out in the War Rooms.

THE LORD PRIVY SEAL thought that this matter must be considered in relation to the general problem of deep shelters.
This was a very difficult matter; but he thought that the present proposals could be justified provided that they were justified on the grounds providing protection to enable essential work to continue and not in order to protect essential workers. If once it was admitted that deep bomb-proof accommodation should be provided for the protection of any class of essential workers, he thought that it would be very difficult to draw any distinction between the workers for whom such protection might be provided.

THE MINISTER FOR CO-ORDINATION OF DEFENCE said that he thought that nothing would be more likely to damage the morale of the people of this country than the knowledge that the essential staffs on which our whole scheme depended were liable to be knocked out by a single bomb.

The Cabinet agreed:

I. Short-term Plan.

(a) That preparations should be made on the assumption that at the outbreak of war Government Departments will remain in the central area.

(b) That, if it becomes necessary to move the Government machine as a whole from Central London, the move should be direct to the provinces and not to the north-west suburbs.

(c) That there should be no public disclosure as regards the particular Departments for which accommodation in the provinces is now being earmarked.

II. Long-term Plan.

(a) That preparations should be made on the assumption that the Departments and Headquarter Branches remaining in London in peace-time will remain in the central area on the outbreak of hostilities, and, in the event of the Government machine having to leave London, will move direct to the provinces.
(b) That all Government Departments and branches of Departments not really required in London should be located in peace-time in the provinces as soon as practicable.

(c) That while, as regards the long-term plan, the movement of non-essential staffs to particular areas in the provinces may possibly indicate the general direction to which Government Departments might move in the event of an emergency, no public disclosure should be made as to which Departments would occupy any particular accommodation in an emergency.

(d) That, in order to enable essential work to be carried on during a bombardment, deep bomb-proof quarters should be provided in the central area for the five War Rooms of the Cabinet, Service Departments and Home Security Organisation as a minimum, any extension depending on further investigation as to cost, practicability and need in the light of the general Government policy in this matter.

(e) That further consideration should be given to the question of providing accommodation for essential Foreign Office duties.

III. General.

To invite the Rae Committee to proceed with the preparation of the necessary arrangements for both the short-term and long-term plans on the above basis as quickly as possible.
The Cabinet had under consideration a Joint Memorandum by the Minister of Agriculture and Fisheries and the Secretary of State for Scotland (C.P.-45 (39)) relating to the Agriculture (Amendment) Bill, introduction of which had been postponed at the Meeting mentioned in the margin, pending further consideration by the Agriculture Ministers and the Chancellor of the Exchequer of the proposals for an increased subsidy in respect of land under oats or barley harvested in 1958. This further examination had now taken place, and in their Memorandum the Ministers recorded the view that, since it was proposed to produce in the near future revised permanent plans for the assistance of oats and barley, it would be undesirable to proceed with the Bill, and that the permanent plans, when completed, should be applied retrospectively, so far as practicable, to the 1958 crops of both oats and barley. The Memorandum indicated broadly the effect of such retrospective provision, on the assumption that proposals on the lines of those now under consideration would be approved. The net additional cost to the Exchequer would be £2,075,100 or a total cost of £3,335,600. Attached to the Memorandum was a draft announcement of the Government's proposals, which the Ministers suggested would be sufficient for present purposes.

In explaining the proposals THE MINISTER OF AGRICULTURE AND FISHERIES said that it would be impossible to deal with the 1938 barley crop on the same basis as in the proposed permanent plans, since those plans contemplated a minimum price arrangement with the brewing and distilling industries
which obviously could not be applied to past sales. The arrangement for the 1938 barley crop must, therefore, be linked to oats, and he was satisfied that it was impossible to avoid giving a measure of assistance to oat-growers in respect of the 1938 crop.

He said that the proposal that those who had not grown wheat, or who had elected not to receive wheat deficiency payments, should receive the subsidy at twice the rate payable to those who had elected to receive such payments, would ensure that the money went to those who really required it. From enquiries which he had made in the areas concerned, he was satisfied that the position was really serious.

Turning to the draft announcement, the Minister said that he would like to include in it a statement to the effect that, as part of the long-term policy, it was proposed to effect a degree of separation between assistance for wheat, barley and oats. The effect would be that, although those who received wheat deficiency payments would not be disqualified from receiving subsidy on barley and/or oats, they would receive subsidy in respect of oats at a lower rate than those who did not receive assistance under the Wheat Act. He asked for authority to include a statement to this effect, in very general terms, in the draft announcement. If this was not done he was afraid that there was a serious risk that the acreage under barley would tend to decrease and workers would be turned off.

The Cabinet agreed -

(1) That the Agriculture (Amendment) Bill should not be proceeded with.

(2) That the permanent policy in regard to barley and oats should, so far as practicable, be applied retrospectively to the 1938 barley and oat crops.
(3) That the draft announcement appended to C.P. -45 (39) should be amended by the inclusion of a statement, in general terms, setting out the proposed future relation of the assistance on wheat, barley and oats, and that the terms of this revised statement should be discussed by the Chancellor of the Exchequer and the Agriculture Ministers.
9. The Cabinet had under consideration a Memorandum by the Minister of Labour (H.A. 10 (39)), covering the draft Unemployment Insurance Bill, which was designed to give effect to certain recommendations of the Unemployment Insurance Statutory Committee, as to holidays and suspensions in relation to unemployment insurance, and to make certain other amendments in the law relating to unemployment insurance: together with the following recommendation thereon by the Committee of Home Affairs (H.A.C. 4th Conclusions (39), Minute 1):

"To authorise the introduction forthwith in the House of Commons of the Unemployment Insurance Bill in the form of the draft annexed to H.A. 10 (39), subject to the settlement of the outstanding points mentioned in the discussion and to any drafting or other minor alterations that may be found necessary or desirable."

The Cabinet approved the above recommendation.
10. The Cabinet had before them a Joint Memorandum by the Minister of Agriculture and Fisheries, the Secretary of State for Scotland and the Home Secretary (H.A. 11 (39)), covering the draft Wheat (Amendment) Bill, the object of which was to effect certain amendments of the Wheat Act, 1932. In particular, the Bill contained provision for the periodical review of the standard price, by which the amount of the deficiency payments to wheat-growers is determined; and provisions relating to the obligation to make quota payments.

The Conclusions of the Committee of Home Affairs thereon (H.A.C. 4th Conclusions (39), Minute 2) were as follows:

"(1) To invite the Minister of Agriculture and Fisheries to inform the Lord Chancellor of any amendments resulting from the settlement of the outstanding technical points. The Lord Chancellor would then decide whether any of the amendments required further consideration by the Committee.

(2) Subject to (1) above, to recommend the Cabinet to approve the Wheat (Amendment) Bill in the form of the draft annexed to H.A. 11 (39) subject to further consideration of Clause 19 (1) and to any drafting or other minor alterations that might be found necessary or desirable.

(3) To reserve for determination by the Cabinet the question whether the Bill should be introduced in the House of Lords or in the House of Commons."

The Cabinet agreed:

(1) To approve recommendation (2) above of the Home Affairs Committee.

(2) That the Bill should be introduced in the House of Commons.
11. The attention of the Cabinet was drawn to the Highways Protection Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 24th February, 1939.

The Cabinet agreed that the Government Spokesman should give general support to this Bill, but should be prepared to modify their attitude should considerable opposition to the Bill develop.
18. The Cabinet had under consideration the Water Supply Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 3rd March, 1939.

The Cabinet agreed that the Government Spokesman might give general support to this Bill; but that it would be unfortunate if the Bill was disposed of too quickly.
The attention of the Cabinet was drawn to the Coal Mines Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 3rd March, 1939.

The Cabinet agreed that the Government Spokesman should oppose this Bill, the effect of which was to abolish the Eight Hour Day in Coal Mines.

Richmond Terrace, S.W.1.,
23rd February, 1939.