CONCLUSIONS of a Meeting of the War Cabinet held at 10 Downing Street, S.W. 1, on Monday, February 2, 1942, at 5 P.M.

Present:

The Right Hon. Winstoñ S. Churchill, M.P., Prime Minister (in the Chair).


The Right Hon. Anthony Eden, M.P., Secretary of State for Foreign Affairs.

The Right Hon. Lord Beaverbrook, Minister of Supply.


The Right Hon. A. Greenwood, M.P., Minister without Portfolio.


The Right Hon. Ernest Bevin, M.P., Minister of Labour and National Service.

The following were also present:

The Right Hon. Sir Earle Page, Special Envoy from the Government of the Commonwealth of Australia.


The Right Hon. L. S. Amery, M.P., Secretary of State for India and Secretary of State for Burma.


The Right Hon. Sir Archibald Sinclair, Bt., M.P., Secretary of State for Air.

The Right Hon. Viscount Cranborne, Secretary of State for Dominion Affairs.

The Right Hon. Lord Moyne, Secretary of State for the Colonies.

Captain the Right Hon. H. D. Margesson, M.P., Secretary of State for War.

The Right Hon. Sir Andrew Duncan, M.P., President of the Board of Trade (Item 8).
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1. The Chiefs of Staff gave the following information in amplification of Cabinet War Room Records Nos. 877-883. Summary of Aircraft Losses since the 20th January:

In the Home Theatre we had lost 13 bombers in over 500 sorties. In the Middle East we had lost 15 aircraft to 8 of the enemy. Most of our losses had occurred as a result of low flying attacks on ground troops. Malta had been subject to constant attacks, but they had not been pressed home so strongly recently. In the Far East we had lost 35 aircraft to 31 of the enemy destroyed.

In Burma 26 enemy aircraft had been destroyed to 5 of our own.

The attack on the Japanese convoy in the Malacca Straits by United States and Dutch air forces had resulted in 5 transports being sunk, 2 probably sunk and 10 damaged. In addition, 4 Japanese cruisers and 2 destroyers had been damaged by air attack.

The Prime Minister said that he had telegraphed to General Wavell asking the reasons for the decision to remove a large proportion of our aircraft from Singapore Island to Sumatra. He would inform Sir Earle Page of the answer received.

The Chief of the Air Staff undertook to inform the Home Secretary and the Minister of Home Security, so that he could warn the Northern Ireland Government, should the Air Staff anticipate air attacks in strength in Northern Ireland.

The Chief of the Air Staff said that he was proposing to circulate a Memorandum for the consideration of the Defence Committee as to the policy to be pursued in regard to air attacks on the German warships at Brest.

During the previous week 36,000 tons of shipping had been lost by enemy action, and 12,000 by marine casualties. Belated reports might account for another 51,000 tons.

Decemner shipping losses, after including all doubtful cases, amounted to 442,000 tons: 352,000 tons by enemy action and 90,000 tons by marine casualties.

A U-boat had been sunk off the Azores and 39 prisoners taken.

The Prime Minister said that, if the Admiralty could not obtain a satisfactory answer from the United States Naval Authorities with regard to the scheme for convoys in the Atlantic, the matter should be reported to him.

During the night the 30th-31st January our forces on the mainland of Johore, with certain exceptions which had been cut off, had withdrawn to Singapore Island. During the previous five nights the Navy had evacuated some 2,000 men from the west coast of Johore.

The garrison of Singapore amounted to the equivalent of about four divisions. Food supplies, the water supply and ammunition stocks were considered sufficient.

In answer to a question by Sir Earle Page, the Prime Minister said that it would be for General Wavell to decide the destination of further reinforcements now on their way to Singapore.

Our troops had evacuated Moulmein and were now in position west of the River Salween. Further reinforcements had arrived in Burma during the previous week and negotiations were in progress with the Chinese with a view to their taking over certain areas.

The Japanese were expanding their hold in north-west Borneo and at Balikpapan. Landings had occurred on Ambon.
Raboul had been occupied by the Japanese. There was no news of our garrison, which consisted of one Australian battalion and a few other troops.

The enemy advance from Agedabia had been in two columns, one towards Msus and the other towards Benghazi. During a heavy tank engagement between the Germans and ourselves, our 2nd Armoured Brigade had suffered considerable losses. The Indian Brigade at Benghazi had successfully fought its way back through the German lines, with the exception of the sappers engaged on demolitions.

The War Cabinet had some discussion on the arrangements for repairing and refitting our tanks, which appeared to compare unfavourably with the enemy's organisation in this respect.

The news from Russia continued to be satisfactory. In the Lake Ilmen-Lake Seliger sector they had made considerable advance, and in the central sector their forces were now near to Velizh, some 50 miles north-east of Vitbeks. West of Vysma the Russians had succeeded in pushing detachments astride the main German line of withdrawal to Smolensk. South-west of Moscow the Russians had advanced to within 20 miles of Vyasma.

On the Donetz front the Russians continued to make excellent progress and had probably reached the neighbourhood of Pavlograd. This advance was most significant.

In the Crimea the German claim to have recaptured Feodosia had been confirmed.

The Chief of the Imperial General Staff was invited to circulate to the War Cabinet the recent reports from Russia which had been received from General Mason Macfarlane.

The War Cabinet took note of the above statements.

2. The Prime Minister said that he had now received a reply from the President as to the arrangements for Allied Co-ordination in the Far East. The President proposed that all political and governmental matters concerning New Zealand, Australia and the Netherlands East Indies should continue to be handled in London, and that military matters should be resolved in Washington. If, however, all these countries were each to be represented by three men on the joint staff considering the A.B.D.A. problems, the result would be an unwieldy body. He therefore proposed that the present organisation for the collaboration of British and United States staffs should continue as at present, but that, where the Dutch, Australians and New Zealanders were concerned, the Combined Staffs should invite their participation in the discussion of matters which involved their national interest and collaboration.

The Prime Minister said that he had forwarded this communication to the Prime Minister of Australia and had asked whether the arrangement proposed by the President was satisfactory to him.

The Secretary of State for Foreign Affairs read a telegram from the Netherlands Government to the United States Government setting out the reasons which, in their view, made the establishment of a Far Eastern Council in London, rather than in Washington, a matter of vital importance to them.

In discussion, the view was generally expressed that the establishment of a Far Eastern Council in London would be far more advantageous to the Netherlands, Australian and New Zealand Governments. The suggestion was made that, if a Far Eastern Council were set up in London, these three Governments might also have military attaches or representatives in Washington, who might be consulted when Far Eastern matters were under discussion there. It would, however, be of vital importance that these military representatives should speak with the same voice as the representatives of their Governments in London. Otherwise confusion would ensue.
China.

Loans from
United States
and
Great Britain.
(Previous
Reference:
W.M. (42) 13th
Conclusions,
Minute 1.)

The question was raised whether the Chinese Government would be invited to take part in the deliberations of the Far Eastern Council in London, or, alternatively, of the Pacific Council in Washington.

The Prime Minister said that the United States Government would almost certainly wish to see the Chinese aspect of Far Eastern co-ordination handled in Washington.

The War Cabinet—

(1) Invited the Secretary of State for Foreign Affairs and the Secretary of State for Dominion Affairs to arrange for the text of the telegram from the Netherlands Government to the United States Government to be communicated to the Governments of Australia and New Zealand.

(2) Took note that Sir Earle Page would communicate to his Government the suggestion outlined at "X."

3. The Chancellor of the Exchequer said that the United States Government had informed us on the previous day that they were approaching Congress for approval for a loan up to 500 million dollars to China, to be advanced at such time or times and upon such terms as were deemed to be in the interests of the U.S.A.; the news had now come in that it had been decided in Washington to present this Resolution to Congress at once and to make a public announcement on the proposal. The Resolution was being published that day, at about 7 P.M. British time.

It was uncertain to what extent the new American loan would, in fact, be drawn upon. The United States Government were producing the psychological effect which General Chiang Kai-shek desired without committing themselves to any specific advances.

It seemed desirable that His Majesty's Government should take parallel action. Our contribution, while large enough to achieve the desired political effect, ought not to be equal to the United States contribution, in view of their much greater financial resources. This indicated a loan of say, £50,000,000. Within this limit we might advance sterling as and when required for war purposes. It should not constitute an unconditional cash loan.

The Chancellor suggested that we should issue a communique that night (i.e., simultaneously with the American announcement) saying, first, that we were offering to make available to China under a lend-lease arrangement all the munitions and military equipment which it was in our power to supply, and, secondly, that we were offering to lend to China an amount up to £50 millions at such times and for such war purposes as may be agreed upon between His Majesty's Government and the Chinese Government.

The War Cabinet—

Approved the issue that evening of a communique on the lines proposed by the Chancellor of the Exchequer. The Foreign Secretary was invited to telegraph at the same time to His Majesty's Ambassador at Chungking, instructing him to convey this offer to General Chiang Kai-shek.

4. The Foreign Secretary said that the War Cabinet would have seen Cairo telegrams Nos. 441, 442 and 443, which reported a political crisis in Egypt. The Prime Minister, Hussein Sirry, was obviously tired of a situation in which he was exposed to continual pin-pricks from King Farouk. He was about to resign, and had advised King Farouk to send for Nahas.
The Foreign Secretary said that he had telegraphed to Sir Miles Lampson (Foreign Office telegram No. 572 to Cairo) recommending him to establish direct communication with Nahas, if possible before Hussein Sirry's resignation was announced, and to make it clear that we should expect him, if he took office, to adopt an attitude favourable to the prosecution of the war effort. While we had no intention of departing from the Treaty, every point which arose would not be capable of being measured by the yard-stick of the Treaty signed six years previously. We should also expect Nahas to eliminate certain undesirable elements in King Farouk's household.

The Prime Minister enquired whether the advent of Nahas to power would mean a general election.

The Foreign Secretary thought that Nahas might not insist upon an election if, as we anticipated, he were forming a purely Wafdist Government.

The War Cabinet—

Approved the Foreign Secretary's instructions to Sir Miles Lampson (Foreign Office telegram to Cairo, No. 572).

5. The War Cabinet again had under consideration a Memorandum by the Secretary of State for Air (W.P. (41) 260) in regard to the bombing of certain factories in occupied France which were making munitions for the enemy.

The War Cabinet—

Confirmed the decision that steps should now be taken to bomb these factories.

6. The War Cabinet had before them—

A Memorandum by the Minister of Labour and National Service (W.P. (42) 49) circulating Part I of the second report of the Beveridge Committee on Skilled Men in the Services.

A Memorandum by the Secretary of State for War replying to certain criticisms of the Army's use of its skilled men, contained in the second report (W.P. (42) 44).

A Note by the Minister of Labour and National Service circulating a further Memorandum by Sir William Beveridge (W.P. (42) 56).

The Secretary of State for War said that he had satisfied himself that the two documents attached to his Memorandum were suitable for publication, and contained the appropriate reply to the criticisms in the report of the Beveridge Committee.

He did not consider himself as precluded from coming forward later on, if circumstances should make it necessary, with proposals that the Army should recruit the ranks of its skilled personnel from industry to a much greater extent than the Beveridge Committee recommended.

The Secretary of State hoped that it would be unnecessary to have two Army debates in the House of Commons in close succession, one on the Beveridge report and the second on Army Estimates. If the publication of the report could be held up until, say, the 12th February, it would be possible to deal with it when Army Estimates were taken on the 19th February.
The War Cabinet—
Invited the Minister of Labour and National Service and the Secretary of State for War to arrange for the publication as one document, about the 12th February, of the second report of the Beveridge Committee together with the War Office reply.

7. The War Cabinet had before them a Joint Memorandum by the Secretary of State for Burma and the Secretary of State for the Colonies (W.P. (42) 52). Attached to the Memorandum was a draft telegram to the Governor of Burma. The draft proposed that, while, in general, European officials should be withdrawn when the occupation of territory by the enemy was imminent, a limited number of officers on the administrative staff should stand fast. This course was proposed on the ground that, if all the European officers were withdrawn, we should suffer a great loss of prestige.

In discussion, it was urged that, while the withdrawal of these officers would lead to some loss of prestige, this would necessarily follow our withdrawal in the face of superior enemy forces. Further, the officers left behind would almost certainly be taken prisoner and might well be subjected to humiliating treatment. No useful purpose would, therefore, be served by their remaining behind.

It was pointed out that the withdrawal of all white officers might lead to some difficulties with the Native staff. This, however, might be overcome if the instructions were so drafted as to ensure that all officers in particular grades, whether European or Native, were instructed to withdraw and no discrimination was made on grounds of colour.

The main purport of the telegram to the Governor of Burma should, however, be that all European staff should be withdrawn, when they had carried out all the duties required of them, before enemy occupation.

The War Cabinet—
Invited the Secretary of State for Burma to modify the draft telegram in the above sense.

8. The War Cabinet had before them the following documents:—

(a) Memoranda by the Minister without Portfolio, the Secretary of State for India, the Chancellor of the Exchequer and the Secretary of State for Dominion Affairs (W.P. (42) 21, 23, 25 and 32).

(b) Messages from the United States Department of State, circulated by direction of the Foreign Secretary (W.P. (42) 58).

(c) Telegram No. 542 from our Ambassador at Washington.

(d) Telegram No. 89 from the High Commissioner in Australia, to the effect that the Commonwealth Government were likely to press for acquiescence in Article VII.

Discussion turned, not on the merits of the economic policy embodied in Article VII, but on the more limited issue whether we should sign an Agreement embodying Article VII at this juncture. The following were the main points in favour of this course:—

(1) The Foreign Secretary said that the Constitutional position was that the President could put his own interpretation on the Lease-Lend Act. If, however, we did not reach
agreement with the President, we might have to have negotiations with Congress.

(2) He wished it to be on record that he thought that, if we did not accept the terms now offered, we might have to agree to much less favourable terms later on.

(3) If we did not agree to the revised draft of Article VII now put forward, he feared a worsening of our relations with the State Department.

(4) Emphasis was laid on the fact that the American Ambassador and Lord Halifax had consistently represented to us the importance of reaching agreement on this topic.

(5) The Secretary of State for Air expressed agreement with these views. Having regard to the reduction in our foreign investments and other adverse factors, and to the probability that our balance of payment after the war would be seriously adverse, he thought it would be necessary to ensure, by negotiation with the United States, that they would ease our difficulties by a really substantial lowering of their tariffs and by other measures if we agreed to abolish Imperial Preference. At the same time, it would be well worth while to accept the latest draft of Article VII, if possible, with suitable interpretations, in order to solve this difficult question and to improve the prospects of post-war economic co-operation between Great Britain and the United States.

(6) The Dominions Secretary said that it should be on record that the present Governments in the Dominions were prepared to accept the revised draft of Article VII. The Secretary of State for Air attached great importance to the Dominions being consulted forthwith.

The main arguments against the signature at this juncture of an Agreement embodying Article VII were as follows:—

(i) There was no evidence that opinion in the United States was interested in the subject, or that Congress would not acquiesce in whatever line the President might take on this subject.

(ii) The whole position had been altered by the fact that America was now in the war. The draft had, indeed, been prepared before America had come into the war, and before the two countries had agreed to pool their resources.

(iii) While there was much to be said in favour of the line of policy outlined in Article VII, there was no inherent connection between this policy and the benefits received under the Lease-Lend Act.

(iv) In any case, before we entered into a commitment that we would work towards "the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers," we ought to know what we should receive in return.

(v) Objection was seen, from the Constitutional point of view, to signing an Agreement which would tie our hands on matters which members of the British Commonwealth should settle among themselves. Further, signature at this moment would be regarded by certain sections of public opinion as an attempt to break up the British Empire.
It seemed that the proper course would be to draft a reply on the lines that we were ready that conversations should be started between the two Governments at an early date on the issues of economic relations between our two countries, and that we did not exclude from discussion any of the matters falling within the scope of Article VII. At the same time, we felt that it would be inappropriate that we should sign an Agreement embodying an Article dealing with these matters until such discussions had taken place.

The War Cabinet—
Postponed decision on the main issue, and meanwhile invited the Secretary of State for Foreign Affairs and the Chancellor of the Exchequer to prepare a draft reply on these lines, which should be submitted to the War Cabinet for alternative consideration at an early Meeting.

Great George Street, S.W. 1,
February 2, 1942.