

TIGHT BINDING.

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4. They are themselves engaged on a very large programme of reconditioning their defence arrangements, and, at an early stage of it, they gave careful consideration to the question whether they could not obtain from Dominion sources of supply part at least of the munitions and other stores required for the programme. They had no doubt that Dominion Governments would welcome any requests for their co-operation so far as it could be given, and they received various offers of assistance from business firms in Canada. It has, however, proved impossible to take effective action in the matter, mainly because His Majesty's Government in the United Kingdom are working to a time schedule, and the munitions organisation in the United Kingdom seems alone to be sufficiently developed to afford any sure basis for the carrying through of this programme in the time proposed.

5. The problem has, therefore, to be considered rather from the standpoint of longer range policy, and His Majesty's Government in the United Kingdom submit it accordingly.

6. The course of action which would commend itself to His Majesty's Government in the United Kingdom is that the Dominions should consider the development of internal capacity for production of armaments and munitions of war, so as to diminish, so far as is practicable, their degree of dependence on the United Kingdom. His Majesty's Government in the United Kingdom, while they must always keep carefully in mind the necessity of maintaining the established means of munitions production in the United Kingdom, would hope to assist such a policy at the start by considering the allocation to the Dominions from time to time of suitable proportions of the future requirements of the United Kingdom under its "long-range programme," and also, so far as possible, of its requirements under the present "Deficiency Programme."

7. In this connection His Majesty's Government in the United Kingdom are aware that conditions in regard to munitions production differ in the various Dominions and in India. In some of the Dominions and in India, government munitions factories have been established on the lines of the Royal Ordnance Factories in the United Kingdom. In other Dominions, it would, at present, be a case of having recourse to production of armaments and munitions of war by private firms found suitable to the purpose. While it is, of course, purely a matter for the consideration of Dominion Governments how far and in what directions they should develop internal munitions production, the general principle which would commend itself to His Majesty's Government in the United Kingdom is that their relation in this matter should be with the Government of a Dominion and not with individual firms in a Dominion.

8. His Majesty's Government in the United Kingdom would draw special attention to the desirability of direct consultation between the Governments of the Dominions concerned and the Government of India as to ways and means of developing the supply of armaments and munitions of war for mutual assistance in Eastern waters. Action of this kind might in certain circumstances be of the greatest possible value from the point of view of defence, and His Majesty's Government in the United Kingdom would be glad to take their part in promoting it.

9. In order to facilitate consideration of this question, a telegram, of which a copy is annexed, has been sent to Dominion Governments asking for information, in advance of the Imperial Conference, as to the whole of their probable munitions supply programmes, say, in the next three years, and the size and general character of the munitions orders which it is expected may have to be placed in this country for the purpose of such programmes.

(Signed) T. W. H. INSKIP, *Chairman.*
Principal Supply Officers Committee.

2 Whitehall Gardens, S.W. 1,
May 10, 1937.

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ANNEX.

*Telegram to the Governments of Canada, Commonwealth of Australia,
New Zealand and the Union of South Africa.*

(Sent 8.30 P.M. April 17, 1937.)

CIRCULAR D, No. 2. Secret.

In connection with the preparations here for proposed discussion on defence at the Imperial Conference, we have been considering position as to munitions supply both to and from the Dominions. In this country, as you/New Zealand Government know, the position is that a very heavy call is being made on industry for our own programme. We have also substantial demands made or forecast from several of the Dominions. There are also heavy demands from foreign countries, with some of whom we have special treaty relations. It would help us most materially if we could get in advance of Conference any information available as to the whole of the probable munitions supply programmes (navy, army and air) of the Dominions, say, in the next three years, and the size and general character of the munitions orders which it is expected may have to be placed in this country for the purpose of such programmes. Object of above enquiry is to put us in a better position to consider not only how far Dominion requirements can be met from United Kingdom, but also whether, and if so in what respects, Dominions themselves can assist in meeting aggregate requirements, including our own.

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