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AFFAIRS OF CHINA.

[October 6.]

CONFIDENTIAL.

SECTION 7.

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No. 1.

*Copy to Shanghai in No. 75 of August 23<sup>rd</sup>/06.*  
Mr. Carnegie to Sir Edward Grey.—(Received October 6.)

(No. 354.)  
Sir,

*Peking, August 22, 1906.*

YOUR despatch No. 197 of the 15th June instructing me to furnish information respecting the intention of the Chinese authorities at Shanghai to establish an Administrative Bureau on the north of the International Settlement in a district where, it was stated, the Municipal Council exercised certain control in accordance with an arrangement made with the Chinese in 1899, was received after I had had the honour of addressing to you my despatch No. 316 of the 23rd July on the same subject. As will be seen from the last paragraph of my despatch, I asked His Majesty's Consul-General to forward to me copies of any documents he had in his archives relative to the special privileges reported to have been accorded by the Chinese authorities to foreigners in the Paoshan district. Sir P. Warren has informed me that his archives for 1899 contain no record of any correspondence with the Chinese authorities on the subject, and that inquiries made at the American Consulate-General and at the Senior Consulate produced no result. It would therefore appear that if any arrangement by which foreigners were permitted to "police, sanitate, and make roads" was ever arrived at, it was never embodied in any formal communication from the Chinese authorities. I have, however, received from Sir Pelham Warren translations of a letter from the Taotai to the Senior Consul, dated the 26th March, 1900, and of a Proclamation issued by the Magistrate of the Paoshan district, both of which I inclose. The former document was erroneously referred to as a Proclamation by the Senior Consul in his communication to the Doyen of the 29th May last forwarded in my above mentioned despatch. As will be seen the Taotai in his letter states that it has been arranged to permit foreigners to lease land in the Paoshan district outside the Settlement, and indicates the procedure to be followed in order to "mark the fact that the land is leased on different terms to those in force at an open port." I have asked Sir P. Warren to inform me of the nature of the reply sent to the Taotai by the Consular Body. The Proclamation authorizes the sale of land required for the construction of a road by foreigners in the above-mentioned district.

In my despatch No. 316 of the 23rd ultimo, I had the honour to inclose draft of a note to be addressed by the Diplomatic Body to the Chinese Government in regard to the establishment of this administrative Bureau or Municipality on the confines of the Settlement. As it was probable that a considerable time would elapse before the note was approved and signed by my colleagues—I may mention that it is still in course of circulation among them—I consulted the American Minister as to the advisability of our addressing individual protests against the scheme before the Taotai took action which it might be difficult to contest. Mr. Rockhill agreed, and we accordingly communicated notes to the Chinese Government drawn up in the same sense as the draft note. On the 16th instant the Wai-wu Pu replied that the Taotai had reported that although foreigners had been permitted to acquire land in certain parts of the Paoshan district it could not be included in the Treaty Port area, and that the local government had always remained in the hands of the Chinese officials. The Board added that the establishment of a Municipality was necessary for the good government of the locality and that the interests of foreigners would not only not be injured but their property would be safe-guarded, so that it might be hoped that friendly relations would be strengthened.

In a note to the Wai-wu Pu, dated the 21st August, I controverted the statement of the Taotai that the district in question was not within the limits of the Treaty Port, and asserted the right of foreigners, which has been exercised for many years, to acquire land there. I also pointed out that municipal organizations, as understood abroad, do not exist in China, and that, therefore, a suburb of the Shanghai Settlements where many foreigners reside should not be selected for the experiments mentioned by the Taotai. In conclusion, I requested that instructions might be sent to him to desist from

*M.D.*

any step towards the establishment of the proposed municipality. I have the honour to inclose copies of my notes to and translation of the note from the Wai-wu Pu.

I have, &c.  
(Signed) LANCELOT D. CARNEGIE.

Inclosure 1 in No. 1.

*Taotai Yuan to Senhor Valdez.*

(Translation.)

Sir,

March 26, 1900.

I HAVE the honour to inform you that it has been arranged to permit foreigners to lease land belonging to private owners in that part of the Paoshan district lying outside but adjoining the International Settlement, and also outside the Commercial Settlement at Woosung. With some modifications, a similar procedure will be adopted to that followed in the case of land held by Chinese subjects under stamped deeds. I have reported the matter to the Superintendent of Southern Trade, and have asked him to apply to the Tsung-li Yamên for sanction. I have also directed the Paoshan Magistrate to make a thorough survey of the locality with a view to ascertaining where foreign merchants can properly be permitted to lease land, and where for any reason it would be undesirable to allow them to do so; to fix boundary marks, draw up a plan with a written description attached, and report to me.

I have now the honour to state that if any foreign merchant wishes to lease land belonging to a private owner in Paoshan district within the boundaries of the area where such leasing is permitted, by Regulation the landowner must first draw up a deed of lease and deliver it to the "Tipao" to be "chopped." It should then be transmitted to this office by the proper Consul, whence it will be sent to the district Magistrate, who shall see that the boundary-marks correspond, and that there has been no misappropriation of land, fraudulent sale, or other malpractices. Not till then may the purchase money be handed over; and before a sealed deed of lease will be issued by the Magistrate the foreign merchant or his agent must first go to the Magistrate's office and pay the fees required by Chinese law as well as the yearly rent. As regards this class of sealed deeds, I intend to direct the Magistrate to have a sealed register printed in which will be entered the amount of rent payable annually as well as any transfers of the property that may afterwards take place. No corresponding register will be kept in any foreign language, nor will it be necessary for the Consul to send any officer to make a joint survey with the Magistrate. This will be done to mark the fact that the land is leased on different terms to those in force at an open port.

I have submitted a copy of the forms of lease to the Superintendent of Southern Trade, and have ordered the Paoshan Magistrate to define the boundaries, without delay, and report them to me, when I shall inform you thereof. I have now the honour to send you a copy of a form of lease, and request you to transmit it to the Consular Body. I have also the honour to request a reply.

Inclosure 2 in No. 1.

*Deed of Lease issued by the Magistrate of Paoshan District, in the Department of T'ai Ts'ang, in the Empire of China.*

WHEREAS I have received the following instructions from the Intendant of the Su Sung T'ai Circuit:—

"I am in receipt of the following despatch from the Consul-General at Shanghai:—

"I have received a petition from the subject, applying for permission to lease in perpetuity a piece of land situated in the division of the ward of Paoshan district and belonging to . . . The extent of the land is mou fen li hao, and the four boundaries are: on the north , south , east , and west . The price is , and the annual land-tax, payable to the Chinese Government, is 2,000 cash a mow, paid in advance."

"I beg to send you this despatch for you to take action."

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I have directed the landowner to hand the land over to the said foreign merchant. Should the said merchant, his heirs or assigns, hereafter transfer the property without reporting the matter to their Consul, obtaining the Taotai's sanction and having the transaction recorded in the Register, or should he neglect to pay the annual land-tax of 2,000 cash a mow, payable in advance to the Chinese Government, in disobedience to these Regulations, and after having been severely warned on the subject, this deed will become null and void and the land will be confiscated to the Government.

A necessary deed of lease.

Date \_\_\_\_\_ ; sealed deed No. \_\_\_\_\_

Inclosure 3 in No. 1.

*Proclamation by Magistrate of Paoshan District, October 7, 1902.*

(Translation.)

WHEREAS I received the following note on the 3rd of this month from Mr. Goodnow, the American Consul-General:—

“With reference to the road which foreign merchants propose to construct in the Paoshan district from the rifle range to the Szechuan road, a full survey was made by the former Magistrate, an officer of this Consulate, and the Municipal Council's Surveyor, who drew up a plan properly filled in. In addition to the land surrendered by foreign merchants for the purpose of making a road, there remain some 20 mow of land held by twelve Chinese owners, certain portions of which should be surrendered in accordance with the regulations for the purpose of building the road. The road, when completed, will be a great advantage to the residents not merely from the point of view of facility of communications, but also by enhancing the value of land; thus two benefits will be secured at the same time.

“As, however, it is thought that the ignorant country people may not understand this principle, it has been decided to give payment for land so taken on the following scale:—

“From North K'ung Chiang, commencing with K'ung Sheng's land as far as the land belonging to Shen Jung Jung, the price of 400 taels a mow will be paid. From Yao Ch'un Fang's property to the “Ssu Pen T'ang” belonging to Wang the price will be 300 taels a mow; and from Lu Shun Lin's land to Fei Pao Ho's, 200 taels a mow. The prices have been arranged in these three scales according to the loss that will be suffered by the various owners, and they have been arranged on a much more liberal scale than in the case of land surrendered for roads inside the Settlement or for railways. This has been done solely as an act of generosity to the native holders of land.

“I have therefore the honour to request you to issue a Proclamation notifying the land-owners that they should come to this office with the Head Tipao to receive the money due to them, and forbidding them to make any disturbance with a view to obtaining a higher price for their land, as this would interfere with the work of construction.”

Wherefore I have to notify all the land-owners concerned that the object of the foreign merchants in making the road is to improve the means of communication, and further, that the land on each side of the road will rise greatly in value, to the benefit of the land-owners. The price which the foreign merchants have arranged to give for the land required for the road is also exceptionally liberal when compared with that fixed by the Settlement Regulations.

I have therefore to instruct you to go with the Head Tipao, Yao Chün, to the American Consulate to receive the full sums due to you. You must not seek pretexts to cause an obstruction with a view to getting a higher price, and if you venture to disobey these instructions, on complaint being made by the foreign merchants, you will be summoned before me for trial. Let all tremble and obey.

(List of land-owners and amount of land required from each attached.)

## Inclosure 4 in No. 1.

*Mr. Carnegie to Prince Ch'ing.*

Your Highness,

Peking, August 6, 1906.

IT has been brought to my notice by His Majesty's Consul-General at Shanghai that the Taotai at that port, when writing to the doyen of the Consular Body on the 4th May, stated that the renting of land by foreigners in the Paoshan district had been originally permitted by the Superintendent of Southern Trade as a special favour, and not as a Treaty right; and that the Superintendent of Southern Trade had now deputed the Taotai Hsu Nai Ping to proceed to Shanghai for the purpose of making arrangements for the establishment of a Chinese Commercial Settlement and municipality at Chapei.

I have the honour to point out, for the information of your Highness' Board, that much land in the district referred to has been rented by foreigners, who acquired it in the ordinary manner as a Treaty right; and I cannot refrain from expressing surprise at the Taotai's contention that this has been permitted merely as a favour, and not as a Treaty right. Such a statement on the part of the Taotai of the most important Treaty port betrays an ignorance of Treaty provisions which may provoke serious difficulties, and I therefore venture to suggest that he should be instructed to exercise more care in his communications to the Consular Body on questions of international business.

I also have the honour to request that the Superintendent for Southern Trade and the local authorities may be called upon to refrain from establishing a Chinese Commercial Settlement or municipality in a locality bordering on the foreign Settlements where foreigners of all nationalities have already acquired property. Any such attempt can only be actuated by motives unfriendly to legitimate foreign interests, or be aimed at the prosperity of the foreign Settlements; and if his Excellency the Superintendent of Southern Trade wishes to make experiments in municipal control there is ample opportunity for him to begin with Shanghai city, the streets, lighting, water-supply, and sanitation of which stand in need of improvement; while there is no call whatever for him to begin by selecting an area which has been developed by foreign capital and enterprise.

I avail, &c.  
(Signed) L. D. CARNEGIE.

## Inclosure 5 in No. 1.

*Prince Ch'ing to Mr. Carnegie.*

(Translation.)

Sir,

Peking, August 16, 1906.

I HAVE the honour to acknowledge receipt of your note of the 7th instant respecting the opening of a Chinese trading mart outside the foreign Settlements at Shanghai, and the establishment of a Public Works Office in that locality.

On receiving this note the Board telegraphed to the Shanghai Taotai for a report, which has now reached us.

The Taotai states that the project of starting a Chinese Settlement at Chapei was first talked of at the end of 1903, and that during the present year they had been discussing the establishment of a municipality, on the lines of that at Nan Shih, under official superintendence. The locality in question is at the junction with the district of Paoshan on the north. For many years foreigners have acquired land there. In the years 1898-99, when the extension of the Shanghai Settlements were being negotiated, the foreign Powers originally desired to make the extension include part of the Paoshan district, but the Taotai's predecessors all held that by Treaty it was Shanghai that was opened to foreign trade, and that as Paoshan was not a port (under Treaty) it could not be included. It was therefore decided that foreigners should only be permitted to acquire land and reside in the first and ninth subdivisions of the Paoshan district, which are conterminous with the Shanghai districts—all local government remaining still in the hands of the Chinese officials. Under the present project of establishing a new Settlement, it has always been intended to allow foreigners to reside there just the same, and to enjoy the advantages on the same footing as Chinese. The intention is to establish the police in the Settlement, so as to afford effective protection, and this is a

measure of Government on the part of the Sovereign Power in its own territory, undertaken for the protection of trade and the safeguarding of the people, which in itself involves no breach of Treaty.

With regard to this reply of the Shanghai Taotai, the Board have the honour to observe that as the locality known as Chapei, at Shanghai, lies outside the foreign Settlements, the project of opening a trading mart there by China herself, and of establishing a municipality, is a step which should be taken for the good government of the place; and as foreigners are to be allowed to reside there just the same, it is evident that there is no intention of restricting their privileges or opposing their interests. When the Settlement has been opened and the police successfully inaugurated, the interests of foreigners will not only not be injured, but on the contrary the property of foreigners will be so safeguarded that it is to be hoped that friendly relations will be further strengthened.

Inclosure 6 in No. 1.

*Mr. Carnegie to Prince Ch'ing.*

Your Highness,

*Peking, August 21, 1906.*

I HAVE the honour to acknowledge the receipt of your Highness' note of the 16th August in which it is stated that, according to a report received from the Shanghai Taotai, the establishment of a municipality at Chapei is under discussion; that for many years foreigners have possessed land in the locality in question which joins the Paoshan district on the north; that when the extension of the Shanghai Settlement was negotiated in 1898-99 the Chinese authorities refused to allow part of the Paoshan district to be included in the extension on the ground that it was not in the Treaty Port area; that it is intended to allow foreigners to reside in the new Settlement on the same footing as Chinese; and that the intention being to establish a police force in this Settlement for purposes of protection, such a measure of government is within the competence of the Sovereign Power and involves no breach of Treaty.

Your Highness in communicating the Taotai's report to me observes that, as the locality known as Chapei lies beyond the foreign Settlements at Shanghai, the opening of a trade mart by China of her own motion, and the establishment of a municipality there, are steps proper to take in the interests of good government; that, as foreigners are to be allowed to reside in this Settlement as before, it is evident that there is no intention of restricting their privileges or opposing their interests; and that when the Settlement is opened and the police force successfully established, it is hoped that the protection thus given to foreign property will strengthen amicable relations.

As the Taotai repeats his former error I must once more state explicitly to your Highness that there can be no question as to whether or not the district referred to is within the Treaty Port area at Shanghai. It is within the Treaty Port area, foreigners have the right to acquire land there, and they have exercised that right for many years. Moreover, foreigners at Shanghai have always arranged their own police, sanitation, road-making and other municipal requirements, and they will continue to do so. And if your Highness will consider the matter for a moment you will be able to see that there is nothing strange in this. In foreign communities elaborate and expensive organizations are formed to preserve cleanliness, to provide pure water, to make and repair roads and streets, to maintain a system of lighting, to protect persons and property, and to keep the peace; and the heavy cost of all these services is provided for by rates which are collected and expended by representatives of the ratepayers, honestly and efficiently. In China there is no such system. Neither in Shanghai city, nor in Peking, nor in Canton, nor in any other Chinese town known to me, is there a municipal system which would be tolerated by any foreign community. Why is it then that Chapei, a suburb of the largest foreign Settlement in China, where a large proportion of the land is leased to foreigners, and which is within the area of the Treaty Port of Shanghai, should be selected for the municipal experiments mentioned by the Shanghai Taotai? Simply and solely to block the natural and reasonable extension of the foreign Settlements in that direction. For that reason I assert again that any attempt to create a Chinese Settlement at Chapei can only spring from motives unfriendly to the foreign interests which have made Shanghai the important place it is, or is aimed at the prosperity of the Settlements which foreign enterprise and energy have built up.

I have again the honour to request your Highness to instruct the Superintendent of Southern Trade and the Shanghai Taotai to desist from any step towards the establishment of a Chinese trade mart or municipality on land adjoining the foreign Settlements at Shanghai.

The favour of an early reply is requested.

I avail, &c.  
(Signed) L. D. CARNEGIE.