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CHINA.

Copy of Treasury Minute dated the 7th December, 1927, relative to the Leases of His Majesty's Government in the British Concessions in China.

*Presented to the House of Commons by the
Financial Secretary to the Treasury by
Command of His Majesty.*

LONDON:

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Treasury Minute dated the 7th December, 1927.

1. The Lords Commissioners of His Majesty's Treasury read the Treasury Circular of 25th May, 1923, which stated that in future, where it is proposed to make a gift of public stores or property not requiring replacement, either of an unusual nature or exceeding £10,000 in value They would present to the House of Commons a Minute giving particulars of the gift and explaining the circumstances, and would not give Their assent to the gift until the 14 days after the issue of the Minute, except in cases of special urgency.

2. My Lords have had under consideration the question of the Crown leases in British Concessions in China. These concessions consist of areas situated at seven of the treaty ports in China granted in perpetuity by the Chinese Government between 1851 and 1861 in order that British merchants might enjoy at these ports the recently granted treaty privilege of owning land and houses for the purpose of trade and residence. The land was purchased by His Majesty's Government from the existing Chinese owners and after sub-division into lots transferred to the British lot-holders.

3. In the case of the concession at Newchwang, the perpetual leases granted by the Chinese Government were immediately made over to the lot-holders. This course was also adopted by all other foreign powers to whom similar concessions were granted at various dates by the Chinese Government.

4. A different course was however followed at the other six ports, Tientsin, Hankow, Kiukiang, Chinkiang, Amoy, Canton, without fully realizing its implications. In these concessions the lots were disposed of by auction under 99-year leases terminating in or about 1960. That His Majesty's Government could thus occupy the position of ground landlord in important town areas in a foreign country has long been recognised as an anomaly, and such a position is now clearly incompatible with the declared policy of His Majesty's Government in China. In the memorandum of 18th December, 1926, it was accordingly announced that His Majesty's Government proposed, in negotiation with the Chinese authorities, to modify the constitution of the Municipal Administrations set up in these concessions, which modification would of course involve the abandonment by His Majesty's Government if the position of ground landlord.

5. His Majesty's Government have considered whether their purpose could be effected by the sale outright of the head leases to the present lot-holders. Had this scheme materialised it was anticipated that the reversionary interests of His Majesty's Government in the concession leases as a whole might have realised about £400,000. The position in China, however, renders it impossible to proceed with the scheme for the sale of

His Majesty's Government's reversionary interests without guarantees of tenure which would be wholly inconsistent with His Majesty's Government's policy.

6. In these circumstances, it is the duty of His Majesty's Government to provide, so far as it is open to them, for the continuance of the position contemplated by the original arrangement, the sole object of which was the convenience of British traders and residents in China. The only method by which this can be done consistently with the termination of the position of His Majesty's Government as ground landlord, is to surrender to the existing lot-holders the remainder of the leases held by His Majesty's Government.

7. The Secretary of State for Foreign Affairs informs My Lords that as a condition for a satisfactory arrangement in each case with the Chinese authorities for the reconstruction of the municipalities in the six concessions in question, it is essential to terminate the position of His Majesty's Government as ground landlord there, and, it being impracticable for the reasons stated in paragraphs 3 and 5 above to sell the reversionary interests, My Lords propose 14 days after the laying of this Minute to approve the proposal of the Secretary of State that the interests in question should be assigned to the existing lessees without payment but subject to the condition that these lessees should bear any expenses arising from the assignments.