

# *Shanghai's International Settlement under the Governance of the Shanghai Municipal Council*

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*Shanghai Municipal Council building in 1922. (<https://www.virtualshanghai.net/Data/Buildings?ID=577>)*



For most of the period covered by this remarkable *Gale Primary Sources* collection entitled *China and the Modern World: Records of Shanghai and the International Settlement, 1836–1955*, Shanghai's International Settlement was the beating heart of Chinese trade, finance and culture and the epitome of China's experience of (semi-) colonialism. Shanghai was, by 1930, the fifth largest city in the world by population and the eighth busiest port, serving imports and exports for the 180 million people who lived in the Yangtze delta region. Over one million people, almost half the city's population, lived in the International Settlement, the central foreign-run enclave extending west from the Huangpu River's wharves and jetties. The majority of the region's trade passed through the Settlement, accounting for almost two thirds of all foreign trade in China.<sup>1</sup> The Settlement hosted 19 branches of foreign banks, 39 modern Chinese banks and 70 traditional Chinese banks.<sup>2</sup> It was also home to the headquarters of many multinational companies (including British American Tobacco, the largest company in China),<sup>3</sup> the finest hotels in China (notably the Cathay Hotel), the glitziest shopping street in China (Nanjing Road), numerous bookshops, large racecourses, museums, cinemas, nightclubs, casinos and, by 1937, over 1,500 brothels (licensed and unlicensed).<sup>4</sup> All human life was there.

The International Settlement was formed when the English and American settlements united to better defend themselves amidst Chinese civil warfare (the Small Swords Rebellion) in 1863. It was managed by the Shanghai Municipal Council (SMC), an autonomous body, the members of which were elected by foreign residents -- who met criteria based on landed wealth -- from a smaller pool of even wealthier foreign settlers and expatriates. Although the Chinese represented the vast majority of the Settlement's population, they had no direct input into the Council until 1928 when the Chinese Ratepayers' Association was finally permitted to elect three of

the twelve Council members. It combined the powers and responsibilities of an English city council to tax residents on property, police the streets, license businesses, and oversee infrastructure with a state-like role in public health provision and defense via its militarized police force and the Shanghai Volunteer Corps. The Chinese were subject to the foreign authority, official neglect, and racist attitudes of the SMC, which administered the Settlement for the benefit of its foreign population with as little consideration for Chinese needs or wishes as it could manage.

Britons dominated the SMC throughout its existence, providing the majority of council members, the vast majority of council chairmen, and holding all senior positions in the council's staff, a dominance the British justified on the basis of their greater property ownership in the Settlement than any other national group. Yet they were far from loyal to the British government when divisions emerged between it and the SMC: Britons in Shanghai were loyal first to Shanghai, exhibiting the Shanghailanders mentality defined by Robert Bickers.<sup>5</sup> The British Foreign Office (FO) and its representatives in China -- the Minister and wider diplomatic body in Beijing and the consul-generals in Shanghai (alongside other consuls and consuls-general in other cities throughout China) frequently interacted with and sought to control or at least influence the SMC due to the concentration of British business and political interests in Shanghai. But the SMC jealously guarded its autonomy and clashed with the British authorities when their interests did not align. The FO did not wield the authority over the SMC that the Colonial Office had over colonial authorities in formal British colonies around the world.

Gale's helpful "term frequency" search tool shows a spike in mentions of the "Shanghai Municipal Council" in the collection in 1906 (35 of 343 documents in the collection mentioning the Council date from this year) when tensions peaked in the

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1 C.D. Bruce, "Shanghai: The International Settlement and its Municipal Police Force," *The Police Journal*, vol. 1, No. 1 (January 1928), 128-138.

2 Richard Feetham, *Report of the Hon. Mr. Justice Feetham, C.M.G. to the Shanghai Municipal Council* (Shanghai: North-China Daily News and Herald, 1931), I, pp. 188, 301, in Isabella Jackson, *Shaping Modern Shanghai: Colonialism in China's Global City* (Cambridge: Cambridge University Press, 2018), p. 3.

3 Jackson, *Shaping Modern Shanghai*, p. 87.

4 Frederic Wakeman, Jr., *Policing Shanghai, 1927-1937* (Berkeley: University of California Press, 1996), p. 115.

5 Robert Bickers, "Shanghailanders: The Formation and Identity of the British Settler Community in Shanghai 1843-1937," *Past & Present*, no. 159 (May 1998), 161-211.

fall-out of the Mixed Court riots in Shanghai the previous year. Chinese and foreign judges sat side by side in the Mixed Court to hear cases that involved both Chinese subjects and foreigners subject to the laws of their own nations under the extraterritorial privileges secured by the unequal treaties that foreign powers imposed on the Qing government. The British Minister in Beijing, Sir Ernest Satow, reporting to the Foreign Secretary in London, accused the SMC of “an usurpation of authority” in instructing the Captain-Superintendent of the

Shanghai Municipal Police (SMP) force to police the Mixed Court. Further, he stated bluntly that Frederic Anderson, the Chairman of the SMC, was “entirely wrong” in claiming that the Land Regulations included the Mixed Court in the SMC’s jurisdiction.<sup>6</sup> When the SMC claimed it needed to increase the Sikh branch of the SMP from 200 to 1,000 men to defend the International Settlement in case of further disturbances, much frantic correspondence ensued. W.V. Drummond (a British solicitor in Shanghai seen as unduly pro-Chinese by his more reactionary local fellow countrymen) accused the councilors of “political insanity” in wanting to maintain a private army in a strongly worded letter to Foreign Secretary Sir Edward Grey.<sup>7</sup> The Shanghai Consul-General, the Minister in Beijing, and Sir Edward Grey himself shared Drummond’s concerns and, because British sanction would be needed to bring British subjects from India to China, the plan was quashed. Much FO energy was expended on keeping the SMC’s ambitions in check.

Once the furor of 1906 died down, simmering tensions between the FO and the SMC continued to erupt over more minor issues. H.M. Architect and Surveyor at the Consulate general complained of the SMC’s “captious and officious spirit” in 1907 when the Council resisted British efforts to claim ownership of a small strip of valuable riverfront land, which the Council considered its own.<sup>8</sup> The tone taken by the Council’s powerful Secretary, W. E. Leveson, was “highhanded” and the alleged misrepresentation of a plan of the contested land represented duplicitous “sharp practice.” No love was lost between FO officials and this bastion of British influence in China.

At other times, the SMC, pushing for more advantage vis-à-vis the Chinese authorities, was more in line with British diplomats’ conception of the needs of British interests in China. Following the republican revolution of 1911 that overthrew the Qing dynasty, the SMC, the British Consul-General at Shanghai, and the British diplomats in Beijing agreed that the International Settlement should be extended again (after the previous extension in 1899). In 1913, when

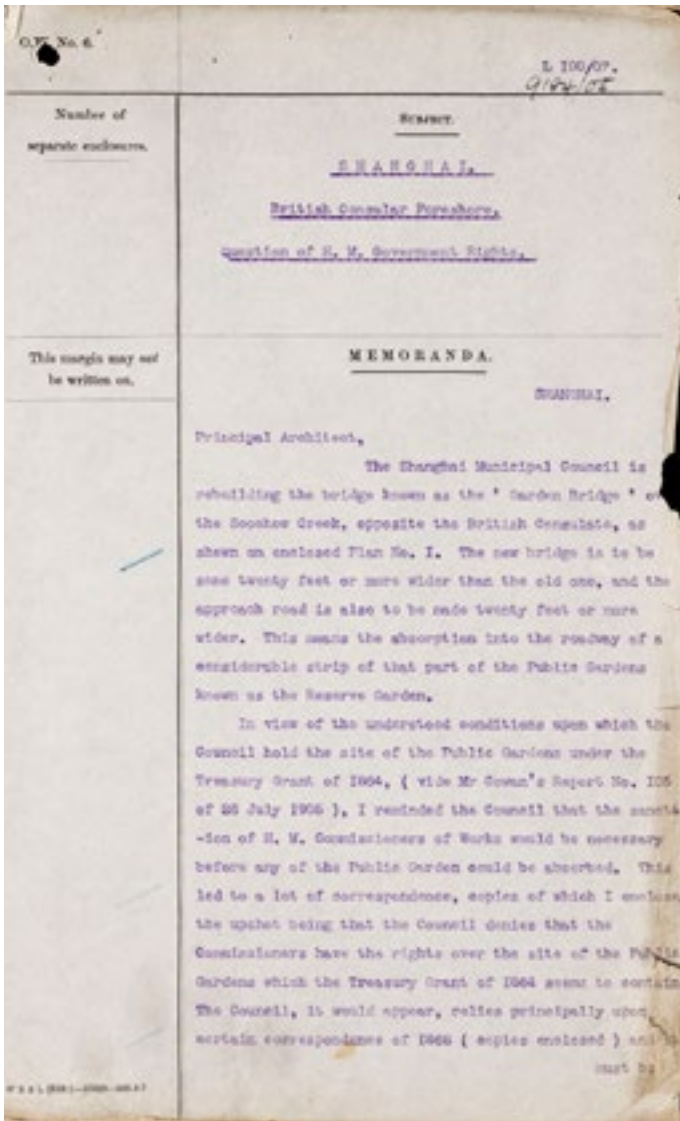


Despatch from Sir E. Satow: comments on some aspects of the correspondence between the Municipal Council and the Consular Body (Case 305, Paper 18921), April 19, 1906 [FO 371/178/54].

6 Sir Ernest Satow, H.M. Minister, Beijing, to Sir Edward Grey Foreign Secretary, April 19, 1906, FO 371/178/54 in *China and the Modern World*, Gale Primary Sources.

7 W.V. Drummond to Sir Ernest Satow, Foreign Secretary, March 17, 1906.

8 Memo, C. Simpson, H.M. Commissioner of Works, August 15, 1907. TNA WORK10/61 in *China and the Modern World*, Gale Primary Sources.



Memo, C. Simpson, HM Commissioner of Works, August 15, 1907. (TNA WORK10/61)

Chinese nationalist forces rebelled against President Yuan Shikai's government in the Shanghai area, the SMC and foreign powers sought to create a defensive buffer zone between the International Settlement and the fighting, sending in the militarized Sikh branch of the SMP, the armed civilians of the Shanghai Volunteer Corps, and foreign naval forces. The Chargé d'affaires, Alston, telegraphed to the Foreign Secretary that the occupation of Zhabei by foreign troops might afford "a good opportunity... of bringing pressure to bear on the Chinese government" to achieve the desired extension, and received a largely favorable reply.<sup>9</sup> Sir Edward Grey urged that

"I approve your utilising any opportunity which may present itself" to secure an extension, provided it was approved by the Consular Body: he did not want the SMC acting unilaterally, as it had attempted in July via a police and volunteer occupation of the district.<sup>10</sup> He also queried the justification for the occupation of Zhabei, showing suspicion in Whitehall of the motives of British actors in China. This attempt to extend the Settlement failed, as did all subsequent efforts, but the SMC and consular and diplomatic bodies continued to press for an extension up until the mid-1920s.<sup>11</sup>

Tensions between the Foreign Office and the SMC plummeted to new depths in 1925 as the Council stood by its police force after they shot and killed peaceful Chinese protestors on the streets of the International Settlement in what became known as the May Thirtieth Incident. As the Settlement was paralyzed over the summer by a general strike demanding justice for the victims and a greater say for Chinese in the Settlement, or even its rendition entirely from foreign to Chinese control, the British government was frustrated by its inability to bring the SMC into line. The Settlement's international status meant it was beyond British government control, despite the dominance of British influence in the Settlement and the impact on British diplomatic interests of the crisis. Eventually, the SMC reluctantly agreed with the Chinese Ratepayers' Association to the minimum terms that would get the city moving again, including Chinese representation on the Council. But the municipality dragged its heels in implementing the agreed concessions until the Nationalist government established itself in Nanjing two years later, drove the British out of the concession at Hankou, and fought its warlord enemies on the borders of the Settlement.

The threat to the Settlement posed by Nationalist and Communist troops and their most radical and violent supporters in 1927 saw the largest peacetime movement of British troops in history brought rapidly to protect the International Settlement. The British government's staunch support showed how important the Settlement was to British interests,

<sup>9</sup> Alston to Sir Edward Grey, Foreign Secretary, August 2, 1913. TNA FO 371/ 1628/ 35835.

<sup>10</sup> Grey to Alston, August 7, 1913. TNA FO 371/ 1628/ 35835. Jackson, *Shaping Modern Shanghai*, 132-34.

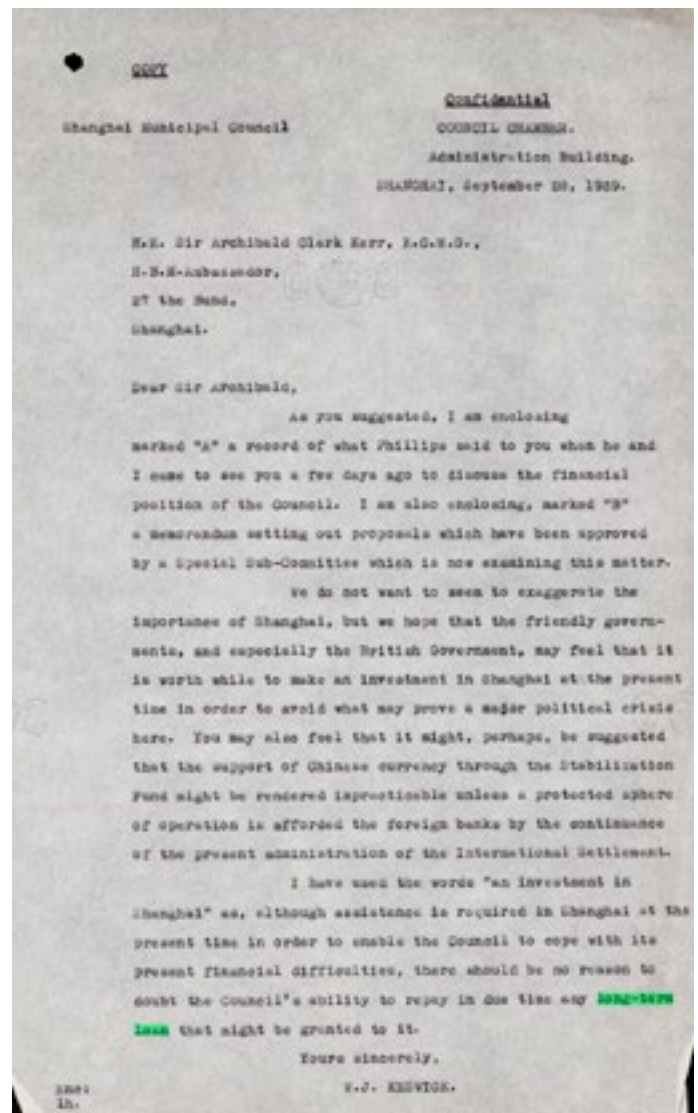
<sup>11</sup> See, for example, the optimism that an extension was about to be agreed in 1916 in FO 371/ 2650/ F 10951/10/16.

despite it falling outside the bounds of the formal British Empire. Yet frustration with the autonomous status of the Shanghai Municipal Council persisted, this time spreading from the Foreign Office to the War Office (WO).

The councilors and staff of the SMC did not quite realize how their insistence on the Council's own autonomy in managing the International Settlement endangered its material support from the British government until they sought a loan of £1 million in 1939. The Council desperately needed a new source of revenue to keep functioning without raising rates, which was considered too risky in the face of Japanese and Chinese opposition. The timing could not have been less opportune, the request coming just weeks after Prime Minister Neville Chamberlain declared war on Germany, so there was no chance of London agreeing to the loan. (There was even less chance that Washington would agree to a similar request for American financial aid.) Writing on behalf of the SMC to British ambassador Sir Archibald Clark Kerr, William J. Keswick exhibited the self-confidence that characterized the British in Shanghai throughout the existence of the International Settlement.

Noting the 30-year repayment period mooted for the requested loan, Keswick assured the ambassador that this was an investment because "there should be no reason to doubt the Council's ability to repay in due time any long-term loan that might be granted to it."<sup>12</sup> In fact, the International Settlement and the Council that ran it were nearing their end. The British nationals who were still in Shanghai after the Japanese declared war on the Allies in the wake of the bombing of Pearl Harbor were interned; the SMC hobbled along under Japanese control for another couple of years until the Japanese disbanded it in August 1943, but it had already been signed out of existence when the British and American governments renounced their extraterritorial rights earlier that year.<sup>13</sup> Without extraterritoriality, the International Settlement ceased to exist.

The British government's difficulties in handling the SMC are but one small yet significant aspect



W.J. Keswick to Sir Archibald Clark Kerr, September 28, 1939 (T 160/1142/4)

of the history of the International Settlement that is illuminated by this collection. The detailed FO and WO archives compensate for others that are absent from the historical record, including the early documents of the British Consulate, which were destroyed in a fire on Christmas Eve, 1870.<sup>14</sup> They are invaluable to the historian for their coverage and often their frankness, which is illustrated in some of the examples cited above. British government interactions with and perspectives on the complex and compelling colonial enclave of the International Settlement will be revealed in all their contrasting colors by research in these files.

12 W.J. Keswick, SMC, to Sir Archibald Clark Kerr, British Ambassador, September 28, 1939. TNA T 160/1142/4 in *China and the Modern World*, Gale Primary Sources.

13 Jackson, *Shaping Modern Shanghai*, p. 239.

14 The Shanghai Consulate was only upgraded to a Consulate-General in 1884.