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OF THURSDAY, MAY 18, 1939. NOT TO BE PREVIOUSLY
PUBLISHED, QUOTED FROM OR USED IN ANY WAY.

Upon instruction of the Department of State, the American Ambassador at Tokyo, Mr. Joseph C. Grew, today delivered the following Aide Memoire to the Foreign Office:

"AIDE MEMOIRE

"Reference is made to the aide-memoire which the Japanese Vice Minister for Foreign Affairs handed to the American Ambassador at Tokyo on May 3 in regard to the question of revision of the Land Regulations of the International Settlement at Shanghai and to the question of modifying and improving the administrative machinery of the International Settlement.

"The aide-memoire contains reference to the date on which the Land Regulations now in force in the International Settlement at Shanghai became effective and contains the affirmation that the existing administrative structure is in many respects ill adapted for dealing with factors in the situation which has been steadily evolving during the past seventy and more years and which has undergone a radical change in more recent times.

"The Government of the United States would be ready, as it has been in the past, to become a party to friendly and orderly negotiations properly instituted and conducted regarding any needed revision in the Land Regulations of the International Settlement at Shanghai. The Government of the United States is constrained to point out, however, that conditions in the Shanghai area are, from its viewpoint, so far from normal at the present time that there is totally lacking a basis for a discussion looking toward an orderly settlement of the complicated problems involved

which would be reasonably fair to all concerned.

"With reference to the question of the Chinese courts which function in the International Settlement, it may be pointed out that those courts were established and their status fixed under a multilateral agreement to which the United States Government was a party and that the observations made in regard to possible revision of the Land Regulations apply also to the question of these courts.

"With regard to the system of voting in force in the municipal elections and public meetings of the International Settlement, it may be observed that under the Land Regulations there is no discrimination amongst the various foreign rate payers, the minimum requirement for voting qualification being the payment of municipal rates on the basis of an assessed rental of 500 taels (approximately seven hundred dollars Chinese currency) per annum. Under this system the Japanese community enjoys a large and increasingly important vote, a vote in fact far greater in proportion to the total vote than the proportion which the general municipal rates and land taxes paid by the Japanese community bear to the total of the municipal rates and land taxes paid in the International Settlement. Japanese nationals are represented on the Municipal Council and are employed in the various departments of the Municipal Government.

"With regard to the question of modifying and improving the administrative machinery of the International Settlement, the Government of the United States believes that the Japanese Government will recognize that those concerned with the administration of the International Settlement have, throughout the Settlement's history, effected many adjustments to meet changing conditions and the Government of the United States is confident that the authorities of the Settlement will continue to make every effort to adjust the administrative machinery of the Settlement and the practices thereof to meet fair and reasonable desires on the part of Japan and Japanese interests.

"With reference to the statement in the Japanese aide-memoire in regard to the need for closer cooperation between the Settlement authorities and the regimes which exist in the lower Yangtze Valley with Japanese military support, it may be observed that, in the absence of the

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duly constituted and recognized Government of that area, the Settlement authorities have made and are making every effort to deal with the realities of the very difficult situation confronting them, and the Government of the United States feels that those authorities are entitled to expect every consideration from Japanese civil and military agencies. It is pertinent to point out in this connection that since the earliest days of the International Settlement it has necessarily been the policy of the Settlement authorities, during periods of disturbance in the surrounding areas, to avoid involvement in controversial matters arising from causes beyond the Settlement boundaries. This aloofness is inherent in the very international character of the Settlement. And logically flowing therefrom is the premise that no one power having interests in the Settlement, however extensive they may be, should take advantage of developments which have their origin elsewhere to prejudice the international character of the Settlement.

"The Government of the United States has been impressed with the efficiency and energy with which the Settlement authorities have, notwithstanding the extreme bitterness and tense atmosphere prevailing at Shanghai, kept disorder and lawlessness to a minimum within that part of the International Settlement which is under their effective control.

"The Government of the United States refers again to the efforts which the authorities of the International Settlement have been making and are continuing to make to perform their normal functions, efforts which have recently been seriously handicapped and rendered more difficult by lawless activities in areas contiguous to the International Settlement and by refusal on the part of the Japanese military forces to return the Settlement area lying north of Soochow Creek to the effective control of the authorities of the International Settlement.

"The Government of the United States urges upon the Japanese Government the consideration that a smooth working of the administrative machinery of the Settlement would be promoted by a frank recognition on the part of the Japanese Government of the excellent work which has been and is being done by the Settlement authorities and by the prompt restoration to those authorities of complete control over the Settlement area extending north of Soochow Creek.

"In conclusion, the Government of the United States observes that the great cosmopolitan center of Shanghai has been developed by the nationals of many countries, to the mutual advantage of all. In this development the International Settlement has played a very important part and any question affecting the welfare or status of the Settlement is of inevitable concern to many

countries,

countries, including the United States. With regard to the revision of the Land Regulations, the Government of the United States is, as indicated above, of the opinion that this is a question which should await the development of more stable conditions. But with regard to administrative practice in the Settlement, many adjustments have been made to meet the requirements of changing conditions, and the Government of the United States is confident that the Settlement authorities are prepared to continue their best efforts toward meeting any reasonable requests for further adjustments."