

Breaking-Up

Trading has been an activity almost as old as humanity itself. Remnants from the Stone Age have convinced some anthropologists that trading had taken place at that time, particularly in obsidian used for sharpening tools.

Most people in modern times, during the innocence and credulity of their childhood, had probably been inducted unknowingly into the spirit of trading. How else should one describe school children learning to exchange marbles, stamps, wooden tops, comic books, cigarette package covers and a whole range of whatnots with fellow or older students for items which the latter somehow mysteriously possessed, such as a whistle, a piece of magnetic rock, a fountain pen or some supposedly magical talisman?

Many could no doubt recall those hurried bargainings taking place in playgrounds as they calculated mentally whether an item they fancied was really worth what they were being asked to give up in exchange. Sometimes part of the lunch money and the bus fare home would also come into the equation.

But loudmouths and smooth-talking senior students were probably only displaying their potential for turning themselves into future politicians or hustlers. In any case, occasionally, by the time the school day was over, a bargain struck before the start of classes or during a brief recess, unless already executed, might turn out to be no longer binding. Second thoughts and cooler calculations would have had a chance to come into play.

Such early experiences would nonetheless be fitting preparations for adulthood, when every person might — at one time or another — be called upon to trade his conscience for some opportunistic grab at power or riches, or else to surrender his pulsating heart to another for that much more elusive will-o'-the-wisp called love.

To the outside world, the British colonial enclave might be promoted as “the Pearl of the Orient” and as the freest of free markets, but for *hoi polloi* there, countless tens of thousands still had to live in over-crowded squatter settlements or precarious hillside shanty towns, without running water, electricity or toilet facilities and dangerously exposed to the vagaries of weather.

For them, it was indeed a spiteful and unforgiving place. They had to learn under those pitiful circumstances the most fundamental forms of trading — the exchange their unremitting toil for the slender right to survive.

Their city had always been a divided place, split along at least a dozen and sometimes overlapping lines — by race and religion, by rulers and ruled, by shades of political or economic attachments into predators and prey, patriots and Quislings, visionaries and the undereducated, enterprising chancers and dull-witted lumpen proletariat, and, of course, into the obviously rich and the plainly poor.

It could not be gainsaid that a selected few from the lower classes could also grow enormously richer through dogged determination, pure sweat and sailing extremely close to the wind. But for the vast majority of the poor, they remained largely without power or influence and served only to provide the fast-paced and energetic backdrop to the entire city.

A bygone Western thinker had once described their lot as solitary, nasty and brutish. But there was paradoxically a silver lining to certain things. When a fire ripped through a squatter settlement in Shek Kip Mei in December of 1953 and immediately rendered over 50,000 people homeless, the normally laid-back government was forced to initiate a public housing programme.

A year later, a housing estate was completed at the original fire site. The victims were allocated space in new multi-storeyed H-shaped blocks on the basis of 24 square feet per adult in a family, with a child calculated at an appropriate fraction. That 24 square feet came to about half the amount of space allocated to prisoners in single cells in British gaols at the time. But at least those resettled had running water, communal bathrooms and toilets and no longer had to engage in the dangerous business of stealing electricity from overhead power lines.

So for the workhorses of society, subsidised housing represented a small step forward in their quotidian existence. They remained, however, too hard pressed to afford decent school books and uniforms for their children or enough elbow room to bring them up properly.

Indeed, one young woman had complained publicly that her cramped home deprived her even of the right to have a bit of undisturbed sex! Hong Kong was unquestionably a very crowded place, possibly the most densely populated city on earth. No secluded spot could be found, like in London's Hyde Park or New York's Central Park, where the young could go to find a degree of privacy. How could they develop into rounded and thinking human beings if they were for long periods confined, like hamsters, inside would-be cages?

But the young, like their parents, had Chinese stock, with plenty of endurance, patience and determination to survive through endless

hardships. Their ancestors had already demonstrated those qualities over thousands of years instead of just for a measly two hundred years or three.

Moreover, they had also developed the habit and the willingness to make inordinate sacrifices for the good of the following generation, hoping to be repaid during their old age, through the handed-down and long-practised Confucian tradition of filial piety.

Their bosses — the poor knew only too well — were out to squeeze the most they could out of them. British officialdom was of little help. Its schools taught students about the wisdom of a distant and foreign King Solomon, but remained largely silent on the sages of other cultures, making virtually no mention of that long line of equally exemplary Chinese officials, euphemistically referred to as *fu-mo guans*.

Such officials, selected mainly through a series of stiff examinations in the classics, were supposed to dedicate their time and efforts to easing and solving the problems of inhabitants under their charge, as if they were their own children.

British officials, by contrast, seemed aloof, indifferent, and even at times bemused. They often looked upon the behaviour and antics of Chinese subjects like those of an incomprehensible alien tribe with whom they would rather have as little truck as possible, except as servants. Or perhaps as mistresses as well, if the females had attractive physical attributes.

Fellow creatures from the lower strata, be they street pedlars or casual jobbers, were often no more accommodating or reliable. The flame of class solidarity did not actually burn within their breasts. Their shared poverty had conditioned them to obedience and a proneness to stabbing others in the back if some minor advantage could be gained.

Yet, in spite of their cynicism and resignation to their own fate, a vague resentment kept eating away at them. Perhaps the rich were really different from themselves after all. According to the gossip circulated by their household retainers, the rich wallowed in drugs, drink, sexual deviations, hallucinations, neuroses, psychoses, kleptomanias and other types of mental maladies.

As for themselves, no matter how many extra hours of toil they might put in each day, the wealth gap separating them from even the moderately well-off seemed only to stretch progressively wider, rather than shrinking with time. Something had to be amiss.

In addition, the well-heeled, in spite of many questionable deeds, seemed able to easily throw over themselves a cloak of pious respectability, even when consorting with shady characters or sealing under-handed deals.

How could they get away with so much that was undreamt of among ordinary folk? Rumours of different sets of fake accounting figures, tax havens, shelf companies in the Caribbean and Latin American countries and numbered accounts in Switzerland had been doing the rounds for ages.

In addition, it had long been whispered in certain circles that somewhere within the precincts of their city, secreted among the great canyons created by characterless modern edifices of glass and steel, and tucked between streets befouled by the exhausts of too many Rolls Royces and Mercedes, was a staggering kind of subterranean life out-doing the wickednesses and debaucheries which had prevailed in Shanghai during the roaring 1920s.

But to qualify for admission, one had to be first initiated, filthy rich and introduced by one or more of the individuals holding sway and influence within those twilight zones.

Once admitted, a person belonged to a community more exclusive than the most exclusive London club. Anything could be made available for the correct amount of money. An ancient injury or insult to be avenged for the sake of family or clan honour? No problem. A specified piece of Chinese antiquity, possibly once looted or stolen from an imperial palace? Easy, for an appropriate price. Otherwise, how could so many pieces of those rare and exquisite Chinese antiques have found their way into Western museums to be displayed?

Through similar payments, the wildest of their personal whims, predilections or idiosyncrasies could be indulged in within plush settings, with supporting casts of any age or sex specified. A drug-fuelled psychedelic fantasy or a sexual performance outdoing anything described in *The Before Midnight Scholar* or depicted in the erotic paintings of Ming Dynasty? Also no problem. But, horror of horrors! What if their own precious little ones got ensnared into that netherworld of debauchery and defilement? Truly unthinkable!

The poor and ordinary had been brushed by dreams and longings too, as they teetered upon the cusp of sleep. But riches beyond the dreams of avarice would not be among those floating into their minds. Rather more mundane and run-of-the-mill aspirations, like owning some luxury item seen in a department store window or a fancy car that had caught the eye at an automobile showroom. But must those wayward thoughts always remain so far out of reach, simply for being so ordinary and mundane?

Perhaps the only consolation for their unfulfilled desires was the realisation they did not have to be involved in anything illegal, improper or chancy like the rich. They would accordingly be spared dealing with unsavoury underworld characters and being exposed to blackmail, cheating or being taken for a ride.

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For youngsters who might be bitten early by the trading bug, to the extent that they might be tempted upon reaching adulthood to try their hand at becoming traders, they should be aware that beyond a few localised small scale activities, trading was a much more difficult and complicated calling than they had imagined.

At the national and international levels, they would be confronted by an ever-expanding jungle of regulations concerning quotas, tariffs, health, safety, country of origin, product standards and descriptions, advertising and other aspects of trade, plus those suddenly announced and unforeseen governmental bans, interventions, restrictions and sanctions.

During the years between the two world wars, exports as a ratio of global GDP collapsed from around 16% to a mere 6% because many countries wanted to protect their own products and their own domestic markets.

Therefore, when World War II ended, there rose a general desire to revive trade, in the hope that such an activity would in general benefit everyone. Thus 23 countries got together in October of 1947 to sign a General Agreement on Tariffs and Trade, thereafter to be called GATT for short. That arrangement become operational in January of the following year.

The initial aim was to evolve, through a series of GATT decisions, a reasonable and understandable set of international rules governing quotas, tariffs, subsidies, disputes, market disruptions, dumping, mislabelling, country of origin certifications and other trade related matters.

It soon became apparent, however, that as trade increased and supply chains stretched across continents, the problems faced by GATT became interlinked with political and economics tensions within and between various nations and regions. The language previously used by classical writers to describe trade and economic relationships became far too simplistic and inadequate for a rapidly changing and complex reality.

What was, when a person reflected upon it, a free market, an autarky or a comparative advantage? When David Ricardo was theorising about those terms and such issues as the depreciation of banknotes 200 years ago, he had drawn upon the production of wine and cloth in Portugal and Britain for illustrative purposes.

But in the modern interconnected world, a vast variety of wines and cloth are being produced all over the globe. Wines have distinctive flavours, bouquets, maturities, alcoholic content and various venerable house brands.

How to factor in all those differences in calculating opportunity costs? Moreover, consumers might simply favour the qualities of a particular wine from one place over those from another place. One could not produce a sparkling wine in Australia and simply call it champagne nor a hard cheese from America as a Cheddar, if it were not really produced in Somerset. Even the whisky produced in Ireland tried to distinguish itself for the drink produced in Scotland by adding an “e” to its name.

Similar considerations apply to fabrics. Cloth had different “feels” and characteristics which might or might not appeal to different customers.

The European Union seemed nowadays to be particularly punctilious about product descriptions and countries of origin.

Cheapness in production could hardly be regarded as the sole or dominant criterion. To pose an absurd question: Would the nations of the world give up producing nuclear bombs and instead buy them from North Korea — just because that country could make them cheaper?

Thus international trade began impacting upon a range of other important issues, like national security, balance of payments, the exchange rate for currencies, inflation rates, capital in-flows and out-flows, national GDP growth fluctuations, poverty-alleviation programmes in less developed countries, and so on and so forth.

In the long stretch of history, trade frequently produced unpredictable effects which could lead to wars and, indeed, to the rise and fall of kingdoms and empires. Numerous examples abound. For instance, after China had perfected the manufacturing of silk 400 years before Christ, silk became a highly valued commodity in parts of Europe. But transporting the product by land across the old Silk Road was a difficult and arduous affair.

The Byzantine Emperor Justinian was anxious to learn how to produce silk within his own realm. He therefore got together with a couple of Nestorian monks — who had been Christian missionaries in China during one of the most open and tolerant periods during the Tang Dynasty — and got them to smuggle out in the year 552 some silkworm larvae in hollowed out bamboo walking sticks. Justinian thus established a silk-making industry in southern Greece, which is still operating at the present time.

Much later, in the 19th century to be precise, it was the British public who developed an abiding fondness for Chinese tea and Chinese porcelain.

Those imports had to be paid for, however, in silver, which in turn created an adverse balance of payments problem for the British Exchequer.

The British East India Company eventually came up with the morally questionable idea of rectifying the imbalance by exporting opium from India to China. That inevitably led to gunboat diplomacy and the successive Opium Wars, with enduring consequences not only for a weak and divided Chinese nation but for much of the world.

In more recent times, most countries made a fetish of paying lip service to free trade but the stronger among them have consistently utilised their strength and bargaining positions to extract advantages for themselves or for important sectors of their own economies. Historical instances had been as common as mud. They had come, for instance, in the form of British corn laws, imperial preferences, quotas, tariffs, state subsidies, national monopolies and a host of other political quirks and other impediments to trade.

Less developed countries, frequently facing obstacles to their own development and difficulties in gaining market access to wealthier countries for their own goods, naturally gravitated towards GATT, to seek greater fairness and protection under a more rules-based regime.

Hong Kong, because of its rapid transition from being a mere entrepôt hub for the transiting of goods to becoming a manufacturing centre of significance in its own right, especially for textiles and other consumer goods, soon became one of the contracting parties in GATT.

The territory often played a pioneering role in decisions made by the organisation. For example, Hong Kong was instrumental in establishing the practice among exporters of enforcing quotas and other restrictions instead of leaving their execution to the vagaries of importing authorities.

Much of the credit for the city's development into a major trading, economic, financial and aviation centre rested upon the efforts of a shy and extremely modest but physically and intellectually intimidating Scottish economist by the name of John Cowperthwaite.

John had arrived in Hong Kong as an elite Administrative Officer in the British Colonial Civil Service at the end of World War II. His early assignments in the colony had, by accident or design, been in the economic sphere. He ended his career as the Financial Secretary of Hong Kong, holding that office for ten years from 1961 to 1971.

I had the rare privilege of working directly under him as Assistant Economic Secretary for Hong Kong, undertaking foreign missions with him, and learning a great deal about good economic governance from him.

He turned out to be an economic thinker and administrator of the first order, widely recognised as such in academic circles. Instead of simply trying to apply economic precepts he had studied at Cambridge to his work, he decided to go out among the population to observe for himself what they were like and how they actually got things done in real life.

He noted the work ethics of the Chinese, their mean hard-scrubbed existences, their propensity to save what little they had, their concern for the education and wellbeing of their children and their powerful glue of family attachments. Perhaps he had even foreseen a glimpse of what the Chinese could be capable of as a nation once it had been given stability and better opportunities.

Based on his observations and on his own common sense, he decided that little intervention would be needed in the local economy. He judged that the Chinese could make it pick up steam by itself. He thus opposed any fostering of a dependency culture by the government among the poorer sections of the community, even though that dependency was being

increasingly pushed by politicians in Europe and among the more privileged local expatriates.

His outlook, coupled with his natural shyness, caused him to remain fairly unpopular and misunderstood among some of his colleagues. He did cultivate, however, a fair number of good Chinese friends.

The proof of Cowperthwaite's economic pudding was actually in the eating. When he retired as Financial Secretary in 1971, with a richly deserved knighthood, he left the city with no national debt, no balance of payment problems, no foreign exchange control whatsoever, no deficit spending, no unemployment, bulging reserves, and the entire economy motoring along at a reasonable clip. What else could anyone ask from an overseer of an economy?

Long before his retirement, he gained admiration from some of the more perceptive members of the community. They saw that there was no cant about him. Although he was a British citizen, he really believed in his country's declaration before the United Nations that those who ruled over non-self-governing territories had first the duty to attend to the best interests of the people they ruled over.

To that end, he consistently battled Whitehall over a wide range of issues on behalf of Hong Kong — an unfair division of aviation traffic rights between British and Hong Kong airlines, the levelling of excessive defence costs on the colony, the requirement for Hong Kong to maintain its reserves in sterling but provided inadequate compensation to Hong Kong for losses suffered when Britain suddenly devaluated sterling without notice, and the persistent imposition of various quotas and restrictions against Hong Kong products entering the British market.

Within GATT, Cowperthwaite also exerted a considerable influence, nudging that organisation towards decisions less restrictive to international trade.

By the time GATT turned itself into the World Trade Organisation in 1995, the organisation had 125 contracting parties and its rules covered approximately 90% of world trade. Gradually, the membership in WTO rose to 193 contracting parties and world exports, as a ratio to global GDP, climbed to 25%, before the world financial crisis of 2008 set in.

The world today remains divided in a fierce struggle between nations committed to multilateralism and globalisation and those seeking a more nationalist unilateralism and protectionism. Some countries were now attempting to pervert politically some of the basic WTO tools for orderly trade, like country of origin labels and dispute resolution mechanisms.

The future direction for international trade therefore remains highly uncertain, depending on the quality and wisdom of the politicians many countries might be choosing to lead them.

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Since entering the private sector as part of an international trading corporation, I had absolutely no say over how anyone might impose quotas, tariffs, bans or sanctions against goods originating from another country. Such acts, usually spurred on by the slow culmination of perceived or real political and economic grievances, were usually abrupt and hotly contested by those on the receiving end.

Whenever a territory imposed a fresh impediment to trade, all that a trader or agent in the private sector could do would be to act like a by-stander witnessing an unfortunate traffic accident. He could inform his

customers of what had transpired and how they might circumvent the unforeseen obstacle by seeking similar goods from alternative sources.

It was only after I had joined Li & Fung that I discovered that the actual network of branch offices which the corporation had touted in advertising had been in fact a rather mixed bag.

Apart from the corporate headquarters in Hong Kong, the only branch of significant size was located in Taipei, whereas the branch in San Francisco, for example, was only a one-man operation, charged with answering queries and identifying potential American customers for the various heads of product divisions to call upon to stimulate business.

I had initially been introduced at the Taipei office by H.C. Fung himself. Most of staff were engaged in trading, under the leadership of the relevant heads of product divisions back in Hong Kong. In some instances, like in garments and shoes, both territories produced goods needed by customers. Other customers, like those for fireworks and handicraft, bought products originating from Taiwan as well as from elsewhere.

It quickly became apparent, however, that the designated head of the Taipei office was not an ordinary country manager in a normal trading structure, for he had responsibilities far beyond trading. He had also been assigned duties by other subsidiaries within the Li & Fung group, like the subsidiary responsible for sniffing out investments opportunities in Taiwan and developing properties purchased there.

Another important function of the Taiwan manager was to strengthen and deepen relationships between senior members of the Fung family and Kuomintang elders in Taiwan. Those relationships had been established long before those elders had been ousted from China by the Communists in 1949. They still mattered in a place where the Kuomintang still had considerable political and economic influence.

It soon became clear to me that I was not really equipped to discharge some of the duties mentioned above. Moreover, I already had my hands full with trading and had no desire for a turf war from the outset. I was therefore more than content for my role in Taiwan to remain opaque and indistinct.

The kind of relationship that H.C. sought to maintain with Kuomintang elders was commonly known among Chinese as *quanxi*.

Many foreigners unfamiliar with Chinese society and culture tended to look upon *quanxi* as more or less synonymous with corruption and nepotism. However, they would be largely mistaken. That term merely referred to social “connections” of various kinds, seeking to place an individual within the wider context of his family and his community. Those relationships were sometimes ambiguous, spreading across boundaries delineating spheres which were personal, official or commercial. But they were of special relevance in a society which tended to be hierarchical in nature.

Such relationships were usually built on Confucian ethics and virtues, like commitment, loyalty, reciprocity, trust, empathy, blood ties and friendship. Once established, those relationships remained largely personal to the people cultivating them and often tended to boil down to a never-ending exchange of favours.

It might begin with something as innocuous as touching an old school chum for a quick loan or asking a cousin, who happened to be a dentist, to give priority in treating one’s toothache. A favour thus granted would strengthen any pre-existing bond between the giver and the recipient. It would be generally considered a grave offence if a person who had received a favour failed to reciprocate when called upon to do so.

Were a personal connection to be used and traded for financial gain, then a grey area would emerge. If not properly handled, it could quickly descend into malpractices and favouritism.

Foreigners new to China, struggling with Chinese bureaucracy to register themselves for business, residency, holiday, educational advancement or some other purpose, and faced also with a language problem, would be most apt to encounter an instance of the operation of *quanxi* when seeking help from a local intermediary.

Whether such an intermediary would use his own *quanxi* to get the job done would likely be the first intimation to a foreigner of the operation of *quanxi*. The kind of impression formed would depend on whether any fee was charged or whether the intermediary was just doing a favour.

And overarching all *quanxi* connections would be, of course, that ubiquitous Chinese concept of “face”. That, too, would not be an altogether easy feature in Chinese life for many foreigners to grasp.

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For illustrative purposes, I recount here an actual instance when I had to exploit H.C. Fung’s *quanxi* with Kuomintang elders in Taiwan in order to get myself out of a pickle.

It happened in the following way: a significant European importer of Chinese handicraft called upon me in Hong Kong to explore the terms under which Li & Fung (Trading) would be willing to act as his Far Eastern agent for porcelain vases, flower pots, garden stools, beaded curtains, rattan baskets and similar items. Most of them were available from factories in China, Hong Kong and Taiwan which our corporation had dealt with before.

I explained our normal terms to him and showed him some of the local factories. He seemed satisfied with what he had heard and seen. He then asked me if I could go to Taiwan with him the following day and show him our operations there. I replied in the affirmative, thinking it would be nice to sign on a new customer with only a further two-day trip.

But when I asked my secretary to make my travel arrangements, I discovered that the normal multi-entry and exit visa I usually used for travel to Taiwan had expired. But I did not consider that a serious impediment, for I knew that for business purposes an entry visa could be easily obtained at the Taipei airport. So I went with the prospective customer and did what was required of me.

However, two days later, when I wanted to return to Hong Kong after sealing an agreement with the customer, I was told by staff at Taiwan that I would not be allowed to leave without an exit visa.

The explanation was simple. Since I had arrived in the island on the basis of an emergency entry visa, the rules required that I apply for an exit visa. That would provide for a proper bureaucratic and security record I had visited the island. Otherwise, my visit would not be recorded.

To process an exit visa usually took a minimum of two or three days. If I had applied for an exit visa the moment I arrived, it might have been about ready by now. As it was, I would have to wait for another two or three days before I could leave.

The news was very disappointing. I had a lot of work waiting in Hong Kong, including the signing of some contracts with other important customers. I had been ignorant of the regulations previously, because I had hitherto just had stamps chopped on my multi-entry and exit visa.

I was desperate not to waste extra days on the island, so I asked the head of the Taiwan office whether the process could be shortened. He said

an emergency exit visa could be granted, but it required the personal approval of a minister. He said H.C. was intimate with one of the ministers and he would enquire whether he could grant an audience to one of the top executives of the Li & Fung group.

And so it came about that I called upon the said minister and, after exchanging some pleasantries about this and that and about Fung family members, he granted me an emergency exit visa.

No doubt, should that helpful minister ever transit through Hong Kong on a foreign trip, H.C. would feel obliged to offer him some slapped-up hospitality for the favour he had bestowed upon me on my employer's behalf.

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When I joined Li & Fung, the corporation was already acting as an agent for a large chain of British high street retailers of bags of all descriptions — fashion bags, evening bags, shopping bags, totes, purses, wallets and the like. The customer had sourced its requirements from Hong Kong, Taiwan and South Korea and had only one real competitor in Britain, another slightly bigger chain selling similar products. The competitor also sourced its goods largely from the Far East but it was being served by another Hong Kong trading company.

The customer brought out a fresh line of items every year, fashioned by its own designers, for manufacturing in factories in the three locations. When items were to be made in Korea, the division head would send staff members from either the Hong Kong or the Taiwan office to oversee production schedules, quality control, shipment dates and so on. An expensive undertaking on a fixed commission.

Operations at the customer end was co-ordinated by a chief buyer who visited the Far East twice a year. In between, his team of specialised buyers for individual categories of products would visit as necessary, to explain their requirements in detail to my merchandising and inspection staff and to the factories involved in their production.

That chief buyer was a pasty-faced man of about my own age. He was a voluble man fond of his drink and came over as a type of whisky priest so aptly described in the novels of Graham Greene.

I struck up a cordial relationship with the chief buyer and gained some technical understanding of the bag business. For example, I learnt some simple ways of testing for colour fastness and how to apply a drop test to determine the sturdiness of straps attached to shoulder bags. In order to get a more direct feel of industrial developments in Korea, I decided to join the chief buyer on a couple of his trips to that country.

While in that country, I became acquainted with a Korean manufacturer of leather fashion bags by the surname of Chung, from whose factory the chief buyer had been getting some of his supplies.

Chung was an urbane and engaging man, with a fluent command of English. We went out for a couple of meals together and got into some quite serious and stimulating conversations. It turned out that Chung was as eager to learn about Hong Kong as I was to learn about Korea.

According to Chung, a number of his Korean friends had been wondering if there was scope for Korean products, like cosmetics and instant noodles, to sell well in the colony.

I replied that everything depended on whether products were being properly promoted. The Hong Kong consumer market was expanding rapidly with growing wealth. Many long established British staples in food and drink, however, were missing out because they were satisfied with

annual growth rates of five or six per cent, not realising that with proper promotion in Hong Kong, some American and European brands were achieving growth rates in double digits.

From those early contacts, Chung and I both found that we clicked. I formed the impression that Chung was a sound, reliable and honourable person with whom I could do serious business. Thus the idea of establishing a Li & Fung branch office in Seoul, with his help in recruiting Korean staff with English proficiency, gradually took shape in my head.

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As time went by, more existing as well as new customers wanted to source products out of Korea. That provided me with more opportunities to visit Seoul and deepen personal relations with Chung.

I did a rough calculation on commission income coming from the Korean trade and judged it economically worthwhile to experiment with a small branch office in Seoul in conjunction with a partner who not only knew the language but could tap into Korean exporters eyeing Hong Kong as a market. There would then be no need, from my point of view, of spending money to send merchandisers or inspectors from Taiwan or Hong Kong to oversee shipments out of Korea. On the flip side, enquiries on Korean products suitable for Hong Kong could be answered either by my own staff or referred to the Trade Development Council.

So I eventually put the proposal for an experiment to Chung. I suggested that Li & Fung (Trading) and whatever corporate vehicle he might care to use could form a joint trading venture for a couple of years. It might become more permanent if it turned profitable or be folded after a couple of years if it did not. During the experiment we would share half the

income each and half any losses. The new entity would be called a branch office for Li & Fung (Trading) for known brand identification purposes but he would be responsible for overseeing the recruitment of staff and its local management.

Chung thought the proposal a good idea and in due time an all Korean staff was recruited and the new entity brought into being.

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Trading had always been an easy way of making a living in Hong Kong. Anyone with no formal education could still become a street hawker and earn his keep by selling newspapers, comics, risqué magazines, cigarettes, chewing gum or other popular items on a commission basis.

At a slightly higher level, there would always be openings for tally clerks, shipping assistants, product merchandisers and quality controllers. Those positions required no special entry qualification other than basic education and some undertaking for on-the-job training. For the unskilled and those without capital, they represented an initial rung in a long ladder towards some imagined prosperity at some future date.

Trading firms had never been either charitable or moral institutions. The Ten Commandments did not apply. Their focus had always been on making profits, through whatever form of human exploitation deemed necessary.

They offered meagre wages consistent with recruiting and retaining suitable staff, and the barest number of holidays and fringe benefits demanded by the law. Extended working hours were the norm throughout that calling, while employers relentlessly separated the wheat from the chaff among employees by maintaining a month-to-month system of

employment to facilitate hirings and firings. Long-term contracts were exceptions rather than the rule.

Of course, employees knew how to play that tough and devious game too. Job-hopping was rampant. For the sake of a modest rise in pay, a low-level employee would jump from one firm to another. Quick money rather than loyalty was the deciding factor. Sometimes, for the talented, the mere threat of leaving might be enough to elicit a pay rise or a promotion. Employees worked on the relatively sound principle that if they did not toot their own trumpets then they were likely never to get them tooted at all.

The dream of junior staff was that, once they had mastered the rudiments of the job and developed enough *quanxi* among the factories producing their line of products, they might get lucky one day. If they gained the confidence and rapport of a big foreign buyer, they might well be able to start a small business of their own by poaching that buyer from their own trading house.

After all, for an individual, it was better to be the head of a chicken than the tail of a bull. He needed no plush office or embossed letterheads to start. All he needed was a telephone to communicate with the foreign buyers.

Foreigners were just as obsessed with profits as anybody else. If a person could demonstrate he could do the job on just 3% commission rather than the 6% charged by his employer, why should a foreign buyer not jump at the chance? At 3%, the man's income would still be far in excess of his existing wages while the buyer might gain kudos from his employer.

In the trading world, those at the managerial level had to constantly read and to deduce correctly from the tea leaves of personal ambitions, because the poaching of staff and customers was a recurring phenomenon

in the business. If they were read wrongly — as happened in respect of H.C. Fung's suspicions over the ambitions of his nephew, Kwok-Hong — then the results could be very unsettling for all concerned.

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I paid particular attention to the development of the Seoul office because it had been my baby and I wanted it to thrive. However, growth there did not live up to expectations. There had been a few new European customers sourcing out of Korea but they had been generally small firms; the biggest one had remained the specialised British chain of high street stores selling bags.

In my estimation, that customer had more or less reached the limits of its growth potential. The new lines of fashion bags it had been putting out each season were becoming less innovative and exciting and its profit announcements and forecasts had sounded more muted. I calculated that the time was ripe for me to make a play for its main competitor, who was at that time using another Hong Kong trading house as agent.

Therefore, when I next visited the United Kingdom, I made a point of paying a courtesy call on the top management of the rival chain. I made my usual pitch.

Li & Fung was an old established company providing efficient, reliable and competitive services. We had a network of offices in the Far East staffed with very experienced merchandisers and quality control inspectors who were always on the look-out for new products which might appeal to Western markets.

For example, we were placing orders on behalf of European customers with some Korean factories producing very high-quality leather

fashion bags and with some Chinese factories making excellent embroidered evening clutch bags. I should be delighted to send them samples to judge quality for themselves, if desired. Our commission rates were naturally quite competitive.

My listeners heard me out with courtesy and attention. They expressed reservations, however, since Li & Fung was already representing their main competitor in Britain. They were afraid of a potential conflict of interests, with trade secrets and up-coming designs and fashion ranges passing too easily to the staff of competitors.

I tried to put their minds at ease on that score. I said that Li & Fung had long been accustomed to serving competitors. Where the volume of trade was significant, we designated entirely different teams to serve different customers, without any overlapping or leakage of sensitive information. We acted like large accounting firms which served as both accountants and auditors for major corporations. We usually built a sort of “Chinese wall” between customers. For example, we bought garments on behalf of Gap in California but we also bought them on behalf of Gap’s competitors. Likewise, in respect of toys, we acted on behalf of ToysRUs and also its competitors. No conflict of interests ever arose.

The meeting ended on what diplomats might describe as “a constructive” note. I might not have got my foot inside the door, but I think I at least had left it slightly ajar with the insertion of a couple of toes.

* * *

Meanwhile, from the visits of the various buyers of specialty bags from the British chain, I learnt that their company was undergoing a restructuring of its management. There was likely to be the creation of a

new post of buying director and it was rumoured that its chief buyer, who went by the Christian name of Nick, might be in the running.

Nick, that pasty-faced individual, was about my own age. He had both a limited education and an averagely endowed imagination. But he had worked hard on his way up, mastering a set of skills concerning bags and their multifarious uses. He was a reasonable enough man to do business with, because of his competence, but he was not the kind of person who could naturally attract me, either spiritually or intellectually, into a genuine friendship. In other words, if I were to get stuck in a car in a muddy rut on a country road in the middle of the night, I would certainly not ring him up, expecting him to come to help me push it back onto the road.

A short while later, Nick turned up in Hong Kong on his normal twice-a-year visit to the various places in the Far East where his buyers had viewed products and suggested factories where they might place orders. He confirmed that a restructuring exercise was going on in his company but uncertain as to whether he would be promoted or not.

I conventionally wished him luck, although I doubted whether he could radically change the fortunes of his company because he had fallen behind in attuning himself to the changing tastes and preferences of his younger women customers. The demographics as well as the purchasing power were changing in Britain and businesses and their leaders had to adjust.

* * *

After Nick had returned home, I received a message from Chung. He said he had heard rumours that the young Korean he had recruited a couple

years back to head our joint venture might be resigning to go into business for himself. If the rumours were true, then the young man might be taking with him the British bag chain customer. He was not so much worried for himself, because he still expected the chain to order fashion bags from his factory, but it might mean that the 6% commission flowing from those orders would no longer go into the Li & Fung branch office.

I told Chung to relax, sit tight and watch developments. In the dog-eat-dog world of trading, no youngster could be faulted for trying to advance his own lot. However, I suspected that the whole saga might have originated from an attempt by Nick to show his own bosses he could somehow cut company costs, to enhance his own advancement upwards.

What Nick had overlooked, however, was that his company had an agency agreement with Li & Fung for all Far Eastern purchases. While the British company might manage to do without Li & Fung in Korea, it could not do so as easily in respect of Hong Kong, Taiwan and elsewhere. I would not be minded to allow a breaking of the agreement in respect of Seoul without the whole agency arrangement coming into question.

Besides, a breach at the present time might actually hide a silver lining. It might enable me to bring in an even bigger British bags customer than the one we had been dealing with. I did not think Nick's company had a strong enough poker hand to enter that sort of game with me.

* * *

A few months later, Nick came to Hong Kong again on the second of his yearly trips. He told me that the restructuring exercise was still on-going in his company. But business conditions in Britain were deteriorating and profit margins were shrinking. In view of the increasing

volume of goods being purchased through Li & Fung in recent years, would there be scope for negotiating a lower commission rate, Nick asked.

I replied that it would be reasonable for a commission rate to be re-adjusted if the volume and the profitability went up significantly together. However, that had not been the case from Li & Fung's point of view.

The Seoul office had been opened largely to facilitate his company's purchases, instead of having to send staff from Hong Kong or Taiwan to oversee deals. It was true that the business there had increased but overall it had not developed as well as it might. If one factored in my pay and perks as managing director — because of the amount of time I had to spend establishing and overseeing the office — the whole project would in fact be a loss maker up to now rather than a profit centre. Hence the timing was not at all ripe for considering any adjustment to our commission rate.

I had that conversation with Nick on a Saturday morning, as he was due to fly off to another destination on Sunday. I thought I had put that issue to bed for the time being. But I was wrong. Nick was apparently not satisfied with my response and had decided to go over my head with Victor Fung.

* * *

When I went to my office on Monday morning, the head of the Handbags Division came to see me with a clutch of contracts with factories for signing. He told me that he had received a telephone call from Victor Fung on Sunday instructing him to henceforth reduce to 5.5% the commission rate to be levied on purchases by the British high street bags customer.

I was astonished! How could Victor Fung overrule my decision without so much as discussing the issue with me first? As the chairman of Li & Fung(Trading) he no doubt had the right to overrule me. But to do so without even hearing what I had to say or what my plans had been was corporate autocracy at its worst.

What kind of macho management theories were American business schools spewing nowadays? In my eyes, his decision amounted to one discourtesy and disrespect too many. I realised at once that I could no longer plan for the corporation nor to work meaningfully for it any more.

Besides, with the enormous amount of money I had already made betting against the judgement of Victor on the Hong Kong dollar exchange rate during the Sino-British negotiations, I was no longer in need of any income from either Li & Fung or anybody else.

“It seems Victor has taken over the supervision of your division,” I said wistfully, to the division head. “You had best go to him henceforth for all future instructions, including when there are contracts to be signed.”

* * *

I spent the rest of the morning pondering how I might disengage amicably from Li & Fung, without leaving too much rancour behind. The problem was that the agreement made with H.C. Fung, under which I would leave the civil service to join his company, was essentially an oral gentlemen’s agreement because we had been old friends and horse-owning partners.

Its essence could be summarised in a couple of sentences. To wit, I would work for ten years in the company, and during that period my terms of employment and perks would in no case fall below those enjoyed by the

head of a major government department. After a minimum of five years, however, each party could terminate the agreement by giving the other party a year's notice.

At that point, I had completed more than seven years with the company and I had reached the maximum accumulation point of six months for earned leave. I imagined I had been the only employee within Li & Fung who had the generous senior civil service leave rate of 48 days per annum, as well as the ability to accumulate leave for six months. The rest of the staff in the company, except for members of the Fung family, had only two weeks' holiday a year, which they had to take or have it forfeited.

Therefore, with my leave entitlements, I could practically walk out right away, with accumulated or current leave balances covering much of my notice period. I could not see why the company would want to keep me hanging around when my decisions were being willy-nilly overturned without reason.

However, there was one part of our agreement which had been subsequently turned into writing following a discussion with Victor Fung. I pointed out to him that it would cost the company a bomb to provide me with one of those 3,500 square feet luxury apartments enjoyed by heads of government departments. I had been actually living in one of those apartments at Palm Court on Robinson Road at the time.

"I was now a bachelor," I said, "and living without my children while they studied abroad; so I did not need so much space. I would much rather live in a more modest apartment, if I could somehow own it after ten years. That would be a much more economical solution for the company too."

After that conversation, Victor got Coopers & Lybrand to set up a Panamanian company based on bearer bonds. Li & Fung would make an interest-free sum of money as a loan to the Panamanian company for me to

purchase an apartment of my choice, with 10% of the loan being written off after every year of service. In theory, at the end of ten years the Panamanian company would be free of debt and whoever held the bearer bonds would be the owner of the company and all its assets. It was a neat accounting trick, sidestepping tax and other considerations.

Because the Panamanian company technically owned my apartment at Seymour Road, I went to consult my old journalistic friend, Leslie Sung, over any possible legal tangle. Leslie, after studies in Britain, had joined as a partner in the venerable firm of solicitors known as Lo & Lo.

I told Leslie that I did not want to stir up bad feelings between the company and myself by suddenly banging in my year's notice. I thought I should at least resolve the ownership of the Seymour Road apartment more obliquely first. After some discussion, we decided the best approach might be to send a cheque in covering the final two years of write-offs for the Panamanian company as a signal I was not entirely happy with remaining in the company, leaving any minor adjustments to be settled later.

We thought that might at least lead to a civilised conversation between the parties on how the final terms of disengagement might be worked out. Thus Leslie sent a fairly brief lawyer's letter with a cheque.

With that in the works, I took three weeks' leave and headed to England with Kitty, to continue our search for a suitable home. I did not attempt to explain to Kitty what was actually going on within the office. I thought that, given her ignorance of corporate affairs, she would have to boggle her mind to understand the key elements involved.

* * *

But before leaving for England, I sent a message to Chung. I told him what had transpired and that I would soon be leaving Li & Fung for good. I said I did not know who would be taking my place but it seems our experiment at a joint venture should come to an end. I apologised for failing to make money for either of the partners in the experiment and wished him every luck for the future.

* * *

That trip to England excited me no end. At the age of 59, the prospect of being freed from the trammels of office routines and producing corporate profits filled me with anticipation and exhilaration. The ability to go to a faraway place to reflect upon the changing nature of my native city — both the good and the bad aspects — and to write short stories about them fired my imagination.

There used to be a popular television programme called “Beneath the Lion Rock”. The name came from an outcropping called the Lion Rock in one of the ridges of hills in the New Territories. The episodes told of the grim determination and wry fatalism of ordinary people as they struggled for survival in an inhospitable environment.

At the same time, I remember some of the novel by Balzac I had read when I was young. Balzac had written about post-Napoleonic Paris and he had observed that its citizens were losing the ability of love — all except for the love of money. I could sense that something similar was happening in Hong Kong as the territory rushed pell-mell towards reunification with China.

But I was too much in the midst of change to think about it objectively and dispassionately. I needed distance to gain a degree of perspective. So heading for England was just what I needed.

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