1 Introduction: Business and Politics

Lu Buwei (呂不韋), a famous merchant and later a high official of the Qin dynasty (236–21 BC), once posed these questions to his father.

‘How much can one earn from investing in land?’ Lu asked.
‘About a hundred per cent,’ said his father.
‘How much can one earn from speculation in pearls and precious stones?’ Lu asked again.
‘About a thousand per cent,’ replied his father.
Lu asked the third and final question:
‘How much can one earn by financing a person to become a ruler of state?’
‘That goes beyond what can be calculated.’

Politics can be a profitable business investment. Where the risk is high, the profit is great.

LOCATING THE CANTONESE MERCHANTS ON THE CHANGING POLITICAL LANDSCAPE OF CHINA, 1840–1930

In the first quarter of the twentieth century, the British Colonial Office recorded that two competing groups of Cantonese merchants in Hong Kong attempted, several times, to finance the establishment of regional governments in Canton. The backdrop to these events was the political disintegration of China, with a North-South divide existing between Canton and Peking. As we shall see, the merchants’ endeavours were prompted not only by regionalism as such, but also by economic calculation on the part of the financiers who, by funding the regional governments, sought privileges from the acquisition of public properties in Guangdong province, as well as control over the provincial bank and tax collection.2

These incidents highlight a recurring theme in this book – business is closely related to politics.3 In some environments, politics itself is even a

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kind of business investment. This political environment can be found in Republican era South China. The major investors in this political market were the Cantonese merchants residing in British Hong Kong. By focusing on the rise and fall of two competing Hong Kong merchant groups in South China politics, this book attempts to examine how business interacted with politics in China, and how these interactions highlight a crucial moment in the formative years of modern China.

Chinese Business Groups and Political Change

China is vast in size. Its geographical diversity produces wide regional distinctions. ‘If Italy … was but a geographical expression, China until very recent times had been but a social expression. China had been a society, not a state; and a Chinese, a familial not a political animal’.⁴ This description, found in The China Review in 1934, probably rings a strong bell with all Chinese observers. In a polity as diverse as China, understandably, the maintenance of political centralisation was, and is, a most arduous task for any central government.

The late Qing and Republican periods are such difficult times in Chinese history. In the words of Cecil Clementi, an old China hand and Governor of Hong Kong (and later of Malaya), who wrote to the British Foreign Office in 1926 diagnosing decades of turbulent British China policy:

> A China united under a central Government is not applicable to the facts …. China is a civilisation, not a state.

> British interests throughout China … have suffered because the fact that China is for the time being in the process of disintegration was not recognised.

> …. Should not our policy be … to deal with the authorities who exert regional control, thereby encouraging them to be content with the area they effectively dominate and not to continue the vain struggle for an imaginary suzerainty over all China?⁵

Regional politics, as we shall see, is a master theme of modern Chinese history. The unfolding of regional politics was much affected by the merchant groups who emerged in different parts of China. Cantonese merchants living in British Hong Kong, remarkably, were one of the most active of these merchant groups. They utilised British Hong Kong as their safe haven, from which they operated their businesses in South China. To protect their interest in the changing political landscape of China, they connected themselves with competing lines of patronage networks in Peking and Canton. To illustrate these changing networks, let us take a look at the Western Affairs Movement in the 1870s, the late Qing reforms in the first decade of the century, and the post-revolution politics in the 1910s and 1920s.