

# A ghost returns to haunt Jardines

**T**HE Beijing attack on Jardine Matheson Group this week has re-visited old ghosts from an unfortunate corporate legacy of the 1890s upon a multi-national conglomerate that now represents 11.55 per cent of the capitalisation of the Hang Seng Index.

It is most likely that the "princely hong" has been singled out for scorn in the 1990s from Beijing's modern leaders for its political machinations. But its history makes the sprawling group an easy target.

The Jardines group has been accused of reluctance to enter the modern booming China by other Hongkong businesses who have raced in with major investments.

Many of its rivals among the hongs have welcomed mainland investment in their most lucrative businesses.

But Jardines, despite its protestations, remains the greatest symbol of colonial commerce and rule. It has maintained its close links with the inner workings of the British Government. It may now be paying the price.

The anachronistic terminology used in the New China News Agency report suggesting Jardines is out to create chaos in Hongkong is reminiscent of the slogans used to attack Western capitalist imperialism in the Cultural Revolution of the 1960s. For the communists Jardines represents something more than the face of British corporate interest in Hongkong.

The enmity between the Chinese Communist Party and Jardines has its roots in the earliest days of Hongkong when merchant traders set up warehouses on what was then a lonely, barren island, with a harbour that provided a typhoon shelter in the summer.

Commercial interest and the drug trade of the 19th Century lies at the heart of the Jardines legacy in China.

trial for his alleged involvement in it.

In the late 1970s the company's enmity with things Chinese stretched to defending itself against a takeover and possible obliteration by aggressor Sir Y.K. Pao.

This climaxed in the financial calamities of 1983 and 1984 with the re-mergence of the Keswick management lineage at the Jardine Matheson helm.

A total corporate restructuring, the paring down of debt and the concentration on businesses with high cash flow potential transformed the group into an economic power house

**JARDINES, a responsible or an unscrupulous trader? GARETH HEWETT looks at the history of the hong, whose past, and present activities were under attack from China this week.**

● 1997 fears behind move

● London share price slashed

## Jardines' holding company quits HK

BY LES NICHOLLS

Jardine Matheson and Co yesterday announced proposals to move the group's holding company from Hongkong to Bermuda to avoid business problems arising from uncertainties about our future.

The immediate reaction to the proposal in London last night was severe with Jardines' share price falling by eight per cent from 115 pence to 106 pence.

But the announcement came after the Hongkong stock market had closed.

Early trade with China by merchant Western naval fleets was lucrative for those entrepreneurs determined enough to brave the journey and withstand Hongkong's climate.

In the 1830s the tax levied by the British exchequer on tea imports from China alone amounted to £3 million a year, a sum sufficient to cover half the annual costs of the British Navy at the time.

The trouble was, what to sell the mainland Chinese in return?

"Foreign mud" or opium bought from the East India Company by Hongkong or southern China-based merchants and then sold on to the Chinese in return for silver was a highly lucrative trade that went on, despite the drug's illegality by Imperial Edicts dating back to 1729.

The pursuit of this trade along with the importance of taxes from China tea imports to the British Government, in the face of determined mainland opposition, brought British Naval encounters with the Chinese navy.

The Chinese navy was no match for the fire-power of the over eight years representing more than 14 per cent of the Hang Seng index.

Old fears die hard and Jardines was to be the first company in the territory to fracture the already frayed confidence of the local community by re-domiciling to Bermuda. At the time the 1984 handover of the territory treaty was in the throes of being signed.

As an aggressive, carnivorous company, sometimes plagued by internal internecine management warfare, Jardines has never been afraid to act on its own behalf in the face of social attacks and stigma being attached to its actions. Hence the

The South China Morning Post headline of March 29, 1984, after Jardines announced the move to Bermuda.

British fleet, which was there on behalf of the Canton and Hongkong merchants to enforce "free-trade" ties in opium with the mainland.

These led to the China-dubbed "unequal treaties" of Nanking in 1842 annexing for eternity the island, followed by a further annexation of British Kowloon and Stonecutters Island in 1860.

In 1898 under the Convention of Peking, Britain took in the New Territories under a 99-year lease.

Jardine Matheson's roots date back to this early trade. According to author Kevin Rafferty in *City on the Rocks*, the company was shipping 6,000 chests of opium a year in the early 1830s.

The trade grew so that one fifth of all silver in circulation in China was drained from the country between 1821-1840 and obviously some of this went into merchant traders' pockets like William Jardine and James Matheson.

So Beijing with its present day revulsion of the British and their plans for democracy here, can blame Jardines and their drug running trade links with China for the very existence of the dependent territory status of Hongkong in the first place.

move to Bermuda to give global asset protection to group interests against communist incursion post-1997.

The events of Tiananmen Square reminded the senior figures in the group of the importance of entrusting their corporate destiny to a legal and political environment.

In 1990 there began a long campaign, with threats of delisting from the Hongkong Stock Exchange, to downgrade the jurisdiction of local authorities over its corporate affairs in favour of a primary listing on the London stock exchange.

This threw up a torrent of negative press and depressed

puzzled the City

London, The City is puzzled by Jardines' announcement the Bermuda move. Sir Anthony Wood, Jardines' managing director, which will soon open a new office, said: "I wish to look over, the only been a clear perspective but what attitude in the

Jardine Matheson became a major force in those early days, even after the drug trade was stopped. It built a major shipping line and extended its economic reach along the South China coast to Shanghai.

There it built a wheeling and dealing financial base that played a full part in the ballooning economic growth of Shanghai through the boom and bust days of the 1920s and 1930s.

The 1949 Communist revolution terminated Jardine activities in China, putting an end to the Jardine trading swathe built up over 100 years and caused a huge loss of wealth to the members of the family who worked in the company.

Today the controlling family behind the company, the Keswicks, can claim to be the direct descendants of a sister of the founding Jardine.

The company survived the 1949 revolution only to narrowly avoid bankruptcy three decades later during the property and banking collapse in Hongkong of 1983-1984.

This financial catastrophe brought down five banks in the territory and spawned the now infamous Carrian Affair, which has re-surfaced with the return to Hongkong of Malaysian banker Lorrain Osman to face

the stock price at the group holding company but culminated in an agreement being forged allowing Jardines to get its way.

But it would be a mistake to suggest that this group, under the managing director, Nigel Rich, has no ties with China.

The Mercedes found in southern China, other than those that have been stolen, will come from Jardine International Motor Holdings.

Jardine Fleming, half-owned with UK based Robert Fleming, has one of the oldest China funds in existences, being more than seven years old and the group has offices in Beijing, Shanghai and Guangzhou.