

# Dope Inc. won't be leaving Hongkong

by Michael Billington

Jardine Matheson Holdings, Ltd., the "Noble House" of Hongkong founded by the original opium traders in the service of the British Empire, has announced that it will no longer list its stock on the Hongkong Stock Exchange. Jardine moved its official headquarters to the British island of Bermuda after the 1984 agreement between London and Beijing to return Hongkong to Chinese rule in 1997, and moved its primary listing to the London exchange in 1992. However, when it requested that the Hongkong Securities and Futures Commission (SFC) grant an exemption from the local takeover and mergers code, the request was denied—reflecting the fact that the government institutions of Hongkong must begin showing at least an *appearance* of independence from the banks and trading houses which set them up and run them, in the face of the increasing role of Beijing in Hongkong affairs as 1997 approaches.

Jardine, the historical subject of the disgusting glamorization in James Clavell's novels (*Taipan*, *King Rat*, and *Noble House*) and their Hollywood sequels, is today the largest corporate structure in Honkong, run through an extended network of cross holdings in real estate, shipping, hotels, etc. Jardine's five main firms make up 7% of the total market capitalization of Hongkong, and is the largest private employer as well.

From the time Jardine called in the British fleet to wage war against China in the 1840s, to enforce their "right" to the "free trade" of British opium from India into China, their wealth has always depended on the (lawless) "rule of law" of the colony, written and revised at the whim of the *hongs*, the trading houses, led by Jardine Matheson and its banks. This libertarian paradise, proclaimed as the model state by Milton Friedman and his coterie of pro-drug "free trade" quack economists, thrives only because of the "freedom" to launder drug money, run smuggling operations, and speculate with abandon—while secret books are explicitly permitted.

With the 1984 agreement, the colonial firms began moving their registration (but not their operations) to other British-controlled locations. The April 7 *Far Eastern Economic Review* reports that 215 of the 477 Hongkong listed firms are now incorporated in Bermuda. Jardine even acknowledged that the "government" of the British tax-haven is writing

regulatory laws which will apply *only* to Jardine companies!

## How the deal was cut

The 1984 agreement to return Hongkong to Chinese rule was not an act of magnanimity by the British, nor was it the result of British trembling at Deng Xiaoping's threats of military action, as reported by some. During the early 1980s, Beijing watched in horror as the Hongkong *hongs*, led by Lee Ka-shing, began transferring billions out of the colony, leaping into the speculative bubble in the United States, Canada, and elsewhere. The Chinese "window" to the West, which had been maintained even during the darkest days of the Cultural Revolution, was being threatened by such capital flight. The 1984 deal with British Prime Minister Margaret Thatcher agreed that in exchange for Beijing's sovereignty over Hongkong, the British would be allowed to create many new "Hongkongs" on the mainland. China became the primary location for the "globalization" of western industry—the transfer of depression-wracked industries into the Special Economic Zones to take advantage of the brutally controlled—and virtually free—coolie labor. The result is a Chinese version of the 1980s "recovery" in the United States, where pockets of speculation-driven prosperity cover for the breakdown of the looted infrastructure of the majority of the country, and the growing misery of the population, as exemplified by the 150-200 million flow of unemployed peasants recycled through the free trade area sweat shops.

While Jardine has participated in the subsequent "China bubble," which, of course, is primarily run through Hongkong, it has been far less willing to place its own future in the hands of Beijing. Jardine has sold about \$1 billion of assets in the Hongkong-China area since 1989, while investing more than that elsewhere, according to Peregrine Brokerage. It also provided Hongkong Gov. Chris Patten with public support for the "democratic reforms" of the Hongkong legislature—relatively meaningless reforms which have been pursued as a provocation of Beijing in the negotiations for the 1997 turnover of power.

As a result, Beijing has singled out the Jardine group for public attack. Such attacks are easy to construct: Jardine's London-based controllers, the brothers Henry and Simon Keswick, trace their ancestry directly to William Jardine, the founder of the opium-trading firm who arranged the original Opium War and the takeover of Victoria Island and Kowloon by the British in 1841, and continued to function as the primary local agents for Lord Palmerston's various wars, reparations, and treaties imposed on the Chinese.

While Jardine Matheson has played a central role in the plans for 1997—which some see as a Hongkong takeover of southern China rather than a Chinese takeover of Hongkong—it is perhaps the case that the company is less willing to see its "off-the-books" operations taken over by Chinese interests, and thus wants to keep within the warm embrace of British colonial registration law.