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Title: **Cultural identities of Chinese business: networks of the shark-fin business in Hong Kong**

Abstract

From a global standard, shark fin consumption certainly violates international norms on bio-diversity and endangers the existence of the shark species. Furthermore, the commercial shark fin industry generates additional adverse environmental impacts. Nevertheless, shark fin consumption has served an important role in the cultural aspect of Chinese 'foodway'. More importantly, the business relations and networks behind this industry have never been comprehensively studied. In so doing, this paper employs first hand interviews with the traders and processors as well as official statistics from the government of Hong Kong to come up with one of the most comprehensive and in-depth pieces of research on the business relations and the cultural aspects of shark fin business in Hong Kong. In addition, we will explore the theoretical as well as the cultural dimensions of shark fin business in trying to question the meaning of Chinese business networks. One of the key findings of this piece of research is that the collective activities of shark fin consumption, business relations and networks are embedded along the historically, socially and culturally constructed Chinese identity. The implication is that such orchestration between culture and business can have far-reaching consequences to other Chinese business.

Key words

consumption, foodway, Hong Kong, guanxi, networks, shark fin.

Words

7,592 words (including tables, figures and references)

Introduction

According to Debra A. Rose of the Trade Records Analysis of Flora and Fauna in Commerce (TRAFFIC) Networks of the World Wildlife Fund (WWF), 'Hong Kong is currently acknowledged as the capital of shark fin cuisine worldwide, having access to the highest quality and most diverse cooking methods in the world' (Rose 1994: 49). In terms of value, the retail price of shark fins can vary. It can be modest, from US\$40 per kilogram (kg), to as much as US\$564 per kg, while the price of a bowl of shark fin soup can range from US\$4.50 to US\$90.00 (ibid.: 50–51). In addition, shark fin soup is a day-to-day, integral component of Chinese culinary cultural identity. For instance, in a lifetime the main author had not been to any Chinese wedding banquet in Hong Kong that did not provide shark fin soup!

These eating habits violate international norms on bio-diversity and endanger the existence of the shark species. Furthermore, the commercial shark fin industry generates additional adverse environmental impacts. This paper attempts to examine the cultural dimension of Chinese business activities through the study of the shark fin business in Hong Kong. This case study touches upon issues related to Chinese business, the economic values of culture and the understanding of business networks. In this paper, however, we are trying to discuss the ideas behind the cultural identity of Chinese business by trying to question the meaning of Chinese business networks, and to explore the network behaviour and implication to business activities by using the shark fin industry in Hong Kong as an illuminating case.

In terms of planning, this paper will begin with a literature review of the history and background of wildlife protection and biodiversity and Chinese business in shark fin. Later, the paper explores the theoretical ideas of the

culture of Chinese 'foodway' and Chinese business networks. In addition, the paper will illustrate some key research questions and some puzzles of cultural and business connections deriving from the case of shark fin consumption. The methodology and data analysis will come later with some major discussion on the extent of the shark fin business. Lastly, the paper will provide some implications, especially in connection with the rise of Chinese economic development and the challenge toward the shark fin industry in Hong Kong.

Literature reviews

Sharks are part of the cartilaginous fishes. Basically, all parts of the shark – skins, meats, fins and internal organs – can be consumed (TRAFFIC Network 1996: 7). There are approximately 350 species of sharks. To name but a few, Tiger, Great White, Dusky, Blacktip, Guitar Fish, Hammerhead and Blue sharks. Sharks are asocial and basically they are not prone to attacking human beings, contrary to what we generally believe (Sea World 1999: 1).

Many international agreements were aimed at protecting sharks and endangered species. The *Endangered Species Act of 1973*, launched by the United States on 28 December 1973, targeted over-fishing and global education, the purpose of the Act being 'to provide a means whereby the ecosystems upon which endangered species and threatened species depend may be conserved, to provide a program for the conservation of such endangered species and threatened species ...' (1973: 222). The Act prohibited the sale, importation and transportation of those endangered species within US territories. A more comprehensive report named *Draft Plan of Action: Sharks* was prepared in Rome, Italy, between 22–24 July 1998; two sections of this report – the Preparatory Meeting for the Food and Agriculture Organization Consultation on the Management of Fishing Capacity; and Shark Fisheries and Incidental Catch of Seabirds in Longline Fisheries – particularly addressed these issues.

The WWF has also played a crucial role in paying very close attention to

the trading of shark. In 1994 and 1996 respectively, they published *An Overview of World Trade in Sharks* and *The World Trade in Sharks, vols 1 and 2*, which are thought to be the most comprehensive reports so far (TRAFFIC 1996). Such reports were the result of painstaking research by its subsidiary the TRAFFIC Network, which has bases in Europe, India, East and Southern Asia, Oceania and the United States. According to Rose, TRAFFIC network 'undertook in-depth research on the exploitation of chondrichthyans on a regional basis' and tried to locate all the available information on 'fisheries, utilisation of products, domestic markets and trade, and management and conservation measures...' (1994: 2).

However, most of the previous reports only dealt with commercial fishing and the management of the fisheries. Given that there is increasing concern on shark fin consumption in Mainland China, a more sophisticated management of shark fin trading such as categorisation of sharks as well as data banking system are required to monitor them. As a result, TRAFFIC East Asia came up with the report entitled *Shark Product Trade in Hong Kong and Mainland China and Implementation of the CITES Shark Listings* in 2004. The report clearly warns that the rise of China engendered a new kind of scrutiny:

This established trading pattern between Hong Kong and the Mainland is beginning to change in many sectors as the economy of Mainland China expands, the constraints on Mainland Chinese traders (for example, travel restrictions, currency controls) are relaxed, and as trade is increasingly able to bypass Hong Kong (2004: 11).

Shark fin consumption has occupied a long history in Chinese food culture and dietary habits. According to Michael Freeman, 'that great delicacy of the modern cuisine, shark fin, appears to have become popular at this time [Sung Dynasty]' (1977: 155). Apart from shark fin, there are three Chinese

delicacies that are considered to be the most important and regarded as highly valuable food. They are bird's nest, bear's paw and Beche-de-mer (sea cucumbers) (Simoons 1991: 427–443). In terms of economic profit, for instance, the bird nest industry evolved into a war between the government and the private sector in terms of the controlling of bird nest growing islands (Rooney 2001: 1).

Exotic animal consumption can be found in Japan too – whale meat eating. History has shown that whale meat eating and the utilisation of whale oil and bones entered into Japanese dietary habits more than 2,000 years ago. However, regular and commercial whale hunting was first carried out only after the Meiji restoration in 1868. While there are some persons opposing whale consumption in Japan, it seems that the majority does not support total protection either. Amy Catalinac and Gerald Chan argued that 'the idea that whales deserve special treatment or total protection from human use is not widely accepted in Japanese society, reflected in the lack of public support for conservation movements, particularly those dedicated to the protection of wildlife' (2005: 135). From the scientific point of view, according to the International Whaling Commission (IWC), banning of all whaling is unscientific. Yet, a shift to a more conservation-friendly policy has become a principle objective of the environmental groups (ibid.: 139). The incident (in the same way as shark fin eating by the Chinese) reflects the bones of contention regarding whether appreciation of individual culture or biodiversity should come first.

Theory

Cultural identity of Chinese 'foodway'

The consumption of high value food throughout Chinese history has been referred to as 'foodway' by the anthropologists. According to David Wu, Chinese foodway refers to 'a way of life that involves food, food habits, and food consumption' (Wu and Tan 2001: 1). Similar theoretical developments behind

food culture have been understood as 'the power of food in psychic representation, ceremonial symbolism, social function, biological necessity, economic organisation, and political identity' (Wu and Cheung 2002: 9). More importantly, the 'conspicuous consumption' of high valued food in Chinese foodway represents those people's taste and is a demonstration of social standing (ibid.). As a result of the economic development (in Hong Kong during the 1970s to 1980s and China during the late 1990s and early 2000s), consuming shark fin mirror-imaged economic success as well as economic progress. As we have mentioned before, whether a wedding is lavish or not, you cannot avoid shark fin soup. Also, it will be consumed in the Chinese New Year.

To many Chinese, traditionally, marriage is still perceived to be a very important occasion, which symbolises that someone has moved from one stage of life to another. They argue that the wedding banquet could be a once-in-a-lifetime occasion. Therefore, it is expected to have a superb wedding banquet which not only represents one's wealth, but also one's social commitments, and adherence to cultural norms.¹ From the guests' points of view, serving shark fin reciprocates a way of expressing a complete and respectable menu. Relatives would judge whether a wedding banquet was good or not. A banquet without shark fin will definitely become the 'talk of town' among one's relative circle for many years. Economically, the guests will also feel they are being cheated or not receiving value for money because they have already given a wedding gift, normally in the form of a money voucher. In other words, the banquet itself has become a token of reciprocal respect between the couple and the guests. On other occasions such as the annual Chinese business dinner or an important birthday dinner, shark fin soup is a 'must have' dish. In other words, a cultural ritualism of the dietary process has occurred. If this is culturally supported, the consumption of shark fin will therefore generate a steady, if not lucrative, business opportunity leading to the core element of our studies—is there any network behind this industry?

If there is such a thing as the cultural identity of food, shark fin consumption in Chinese societies can be categorised as a socially constructed cultural product. Food can easily fulfil the material needs of human beings. In fact, scientific research, technological development, mass-production, standardisation and even the green revolution increasingly improve the quality and quantity of food, which has helped some developing countries. Such processes have generally been referred to as modernisation (Rostow 1990; Larrain 1989; and Apter 1987). Nevertheless, the cultural values behind food entail more than life subsistence. As Maslow (1954) mentioned the 'self-actualisation' process should be accomplished after the fulfilment of basic needs.

The association of shark fin as a high value foodstuff in Chinese food culture is an embedded historical and cultural phenomenon. However, such a process can be easily disrupted by over-commercialisation or marketisation. In the case of shark fin consumption, the excessive consumption of shark fin generates problems and severe challenges for shark conservation and biodiversity. A trend exacerbated by the economic rise of China, which generates more and more new tycoons, who just want to taste the difference. In such cases, a cultural delicacy with ritual meaning has degenerated into a symbol of richness and exotic taste. One can criticise that when the cultural richness of a food, which symbolised a ritual meaning, has been marginalised to become a unit of account for one's wealth, it raises the question whether a tax should be levied on not-for-culture consumption.²

Chinese business networks in perspective

According to David Knoke and James Kuklinski, a network 'is generally defined as a specific type of relation linking a defined set of persons, objects or events' (1999: 175). Ethnic relations and family nature combine the functions of production, consumption, education, social security, and daily necessities, realised through the occupying of a certain business of industry (Chuan 1998:

109–120). Such conceptual development results in an often referenced concept known as Chinese business network. Yet, the studies on that subject matter sometimes run the risk of either being too general or lacking first-hand information. More important, the Asian financial crisis also gives rise to the total disagreement about Asian and overseas Chinese business. In 1995, a major attempt in a similar study was done by the Australian government's Standing Committee of Deputy Secretaries on East Asia, resulting in the publication of *Overseas Chinese Business Networks in Asia* (EAAU 1995). However, in terms of the accuracy of some Chinese factual matters, they explained their limitation in the Foreword that:

While the authors have tried to ensure that the vast amount of material presented is accurate some factual inaccuracies may have occurred. The Australian Government, the Department of Foreign Affairs and Trade, the East Asia Analytical Unit and the contributors to the study accept no liability for the accuracy of the contents (ibid.: iii).

The question, therefore, is that if there is no accurate data, how can the Chinese business studies be evaluated, judged or even simply understood? More important, after the Asian financial crisis, one of the authors, Michael Backman (1999) of the above-mentioned report, wrote another book entitled: *Asian Eclipse: Exposing the Dark Side of Business in Asia*. The book criticised heavily Asian business in general and the network in particular. Nevertheless, the interesting point is why the same author would respond so differently in such a short period of time. The so-called networking or the relations between Chinese business and ethnic relations is more subtle than general relationship. The connection and the relations can also be reflected from the local Chinese journals such as *Zhi Yang Monthly*, the *Native Voice of Huadu*, *Xin Hui News*, *Zhan Liang Native News* and *Overseas Chinese News of Fujian*. From their writings and style, one can understand why many overseas Chinese investment

projects are not solely conducted from the pure profitability perspective (Ampalavanar-Brown 1998: 610–636; Liu 1998: 582–609; Nyaw and Chang 1989; and Porter 1998: 77–90). Some ethnic relations are working closely with profit-making motive. Business centred on small groups of people would allow the ‘cultivation of personal relationship’ and ‘the manufacturing of obligation and indebtedness’ (Yang 1994: 6). According to Gary Hamilton, Chinese business is ‘one of entrepreneurial deal making’ (1999: 15). He extended the characteristics of Chinese business in this way:

Because Chinese modes of capitalist acquisition are based on bottom-up individual and family-based strategies of seizing opportunities wherever they exist, rather than on top-down corporatist strategies of linking state administrative capabilities with elite economic opportunities, Chinese capitalism is integral to world capitalism itself (ibid.: 16).

Henry Yeung untangled the complex Chinese business in Southeast Asia through the diagnosis of their business opportunity within the global business structure (1999: 1–19). John Kao called the relations and networks a ‘Chinese commonwealth’ (1993: 24–36).

Some current literatures on Chinese business activities demonstrate the extent of networks with more specific clarification. You-tien Hsing studied the trading companies in Taiwan’s fashion shoe networks. He discovered that because of the small- and medium-sized shoe manufacturing in Taiwan, ‘trading companies also provided market information about foreign markets to partner manufacturers’ (1999: 101–120). In terms of social network building, ‘restaurants and clubs where people in the shoe business entertained their clients, or had frequent impromptu and informal chats’ will serve as bridge for building up networks (ibid.: 110). Yet, more importantly, while ‘a closer relationship with specific manufacturing companies’ should be maintained, ‘to win the trust of all the partner manufacturing firms, it was crucial for the trading

company to appear fair to every partner manufacturer' (ibid.: 112).

Theoretically speaking, the notion behind network development rests on the level of trustworthiness among the actors. In the case of Chinese business networks, one of the arguments is that trust can be built among those who are involved within the network, which can be ethnic, cultural and language based. In a recent study on the perceived trustworthiness of the UK Printing industry, Guido Möllering maintained that

Hence, trust is often seen as a prerequisite for cooperation and a substitute for control. This gives a first idea of how trustworthiness might affect supplier relations: a trusted supplier is expected to transact cooperatively and without tight control; whereas a distrusted supplier is expected to either not cooperate at all or only when forced to by control mechanisms (2002: 139–160).

Another theoretical argument is that when trust is maintained, transaction cost can remain low and monitoring can be maintained at a minimum level. Some of the cases of the food enterprise of Chinese companies show that family network and kinship association enhance the idea of network building (Gomez and Cheung 2009). But, the level of association depends on the nature of the business and this is not entirely correct. Technological know-how, especially the 'soft' part of information can be transferred within Chinese communities through various channels. Edmund Thompson has shown that

The transfer of such broadly defined technology [business process, organisation and marketing] need not be formal and contractual alone, but can include all the channels by which managerial know-how and techniques can be passed on, such as on-the-job learning, informal, informal

discussions, and so on (2003: 88–111).

In other words, it seems that informal discussion, which has been vigorously practiced among different business actors, has been demonstrated in our case.

Propositions

This paper uses a very common case within Chinese food culture to illustrate the manufacturing of business relations with the historically and socially constructed eating habits with a view to testing to what extent Chinese business networks exist. Although literatures in the contexts of China networks are abundant, for example Bamboo networks, *guanxi* networks, family networks, diaspora networks or the Chinese Commonwealth (Cheung 2004: 664–684; McKeown 1999: 306–337 and Unger 1998). Others disagree, arguing that the Chinese business *modus operandi* is no different to other East Asian business organisations. Some of these assumptions argue that, like most East Asian business, Chinese business relies on perspiration instead of innovation (Krugman 1994: 62–78). Alternatively, they argue that Chinese business is regarded as part of the economic development process of China, which is actually a late comer regarding industrialisation (Lardy 2002; Moore 2002; and So 2003). At worst, networks amongst Chinese business invite criticism over the political and business relations that they may generate, too much *guanxi* or social capital will invite political corruption (Gomez 2002; and Callahan 2005: 495–508). It seems that while the so-called Chinese business network is very intriguing, it is very hard to understand without a concrete or specific case study.

We endeavour to test some empirical propositions.

1. Chinese 'foodway' is embedded in the cultural consumption among Chinese.
2. Shark fin does provide some cultural values but they are very likely to be exaggerated through business networks, advertisement and outlets.
3. Shark fin business is based on two interrelated networks: trading and

manufacturing.

4. The economic rise of China inadvertently gives rise to demand for shark fin that is beyond the explanation of cultural need.
5. Ritual is useful in constructing values and likely to protect shark fin from over consumption.

Methodology

This study was originally developed between 1999–2001. Major interviews were launched with the manufacturers of shark fin processors during this time. The retrieval of primary statistics from the Hong Kong Census and Statistics Department of the import, export and re-export of shark fin trading in Hong Kong was carried out during different periods: 2002, 2006, 2007 and 2009. The sampling frame was from the registration list of their telephones and their business addresses. In all, there were 89 registered companies, we were told, however, that there were 100 more not registered at all. Further follow-up interviews and statistical analyses were carried out in 2007, 2008 and 2009 in order to cover the gap between 2003 to 2008.

There are some limitations of this method. First, respondents tended to introduce friends and close colleagues, especially those with ethnic and business relations connections. Second, the business is very closely connected, the more we interviewed, the less we were able to further pursue. There is still an aura of distrust from the respondents toward our research. However, in a small business community like this, the snow-balling method perhaps is the only way to obtain first hand data. In addition, most of the interviews were carried out informally in Chinese restaurants which were very close to their firms or business addresses. We need to take into consideration the fact that not all the intended questions could be asked in such an environment. Finally, the

processing of shark fin is known to involve boiling, removing of sand and drying, however, we were not allowed to visit their factories to record the whole process. From a researcher's point of view, we were marginally dissatisfied. However, such a way of protecting their trade secret was also considered as rational business behaviour.

The current study pays very close attention to the general structure of the industry. The survey results allowed us to analyse the effects of trust and other factors on business networking within the shark fin business of Hong Kong. The current paper, however, tries to understand the mechanism of the industry by discussing the ideas behind the cultural identity of Chinese business.

Discussion: the shark fin business in Hong Kong

The nature of shark fin business is a world business because more than 116 countries have business relations with the Hong Kong shark fin trade through import, export or re-export of shark fin. Table 1 indicates 12 major countries that Hong Kong imported shark fins from during 2002–08. These 12 major countries, USA, Brazil, Mexico, Peru, UA Emirates, Yemen, Taiwan, Indonesia, Japan, China, India and Singapore shared between 60 to 70 percent of the total imports. For example in 2008, Hong Kong imported shark fin (both dried and not dried), which weighed 2,701,194 kg and was worth more than HK\$968 million (US\$124 million), from just these 12 countries.

(Table 1 about here)

Apart from the country-specific characteristics, from 2002 to 2008, as can be seen from Table 1, Hong Kong significantly reduced the import of shark fin in terms of weights while values remained fairly stable. In 2002, Hong Kong imported 5,410,371 kg of shark fins, worth around HK\$1,564 million (US\$200 million). However, in 2008, the total import reduced significantly to 4,130,710 kg, worth around HK\$1,552 million (US\$199 million).

(Table 2 about here)

Although Hong Kong was well-known for its 'culinary tradition and skilful preparation of shark fin soup', the local shark fisheries were insignificant producers compared with the huge amount of shark fin imported each year, and the local consumption was minor (TRAFFIC Networks 1996: 87). Second, after processing, imported shark fins will be re-exported to other countries. Table 2 shows the re-export of shark fins from 2002–08. In terms of destination, there were 11 countries which imported 99 percent of the shark fin from Hong Kong. They are USA, Canada, Taiwan, Indonesia, Macao, Philippines, Thailand, Japan, China, Singapore and Vietnam. For instance, in 2002, Hong Kong re-exported 4,130,864 kg (worth HK\$512 million [US\$65.6 million]) of shark fin to these countries. Yet, in 2008, however, it was significantly reduced to 1,830,971 kg (worth HK\$219 million [US\$28 million]). At any time, Hong Kong re-exported between 80 to 92 percent of the shark fins to China (except in 2008 which reduced to 67 percent). Yet, this figure again has witnessed a general trend of reduction. In contrast, since 2005, Hong Kong began record re-exportation of shark fin to Vietnam, which, due to the economic development, began to import shark fin from Hong Kong to replenish its consumption even though it also exports shark fins.

According to a processor working in the industry for 36 years, the reasons for the decreasing of import and re-export from and into China was caused mainly by the fact that China began to tax the import of shark fins since 2002, right after China joined the World Trade Organization (WTO) in December 2001. Prior to this, China only allowed Hong Kong people to import shark fins for processing in Mainland China. After processing, the finished products had to be shipped back from China to Hong Kong for further consumption or re-export. There was no tax involved. Ever since they taxed shark fins (from 50 percent at the very beginning to 15 to 25 percent later),

shark fins could therefore be sold directly in China. China, as a result, has become a market itself for shark fin consumption. The nurturing of China as a shark fin market was a double-edged sword. At the very beginning, shark fin processors took advantage of the Chinese low cost of labour. Shark fin was shipped back after processing. But, since shark fin has become a new consumption product in China, increasingly, new mainland Chinese business players are attracted who can do the trading *and* negotiate cheaper shark fins from the countries they are importing from. They will go to those countries personally to locate the best quality shark fins and negotiate the best price, while bypassing the traditional trading pattern with Hong Kong traders (TRAFFIC East Asia 2004: 11). Traditionally, Hong Kong shark fin business people seldom visited the countries they were importing from; they relied on trust and previous experiences. Ever since the arrival of the newcomers, Hong Kong shark fin traders are becoming increasingly less competitive.

The role of Hong Kong in the shark fin business can be divided into three parts: the importer, the re-exporter and the consumer. Since the shark fin business is a worldwide business, the shark fins come from many parts of the world, denoting a multi-national nature of this traditional industry in Hong Kong, which is however *de facto* the centre of shark fin trading.³

Hong Kong's shark fin business has several different features. First, shark fin business combines the fisheries and the trading elements of Hong Kong's early business format. The shark fin business symbolised the path toward modernity in Hong Kong's urbanisation process. The notion of shark as a by-catch of many fisheries was closely related to the traditional environment of Hong Kong, because historically Hong Kong was a fishing port where most of the indigenous people were fishermen living in places like Tuen Mun (the first fishing village in Hong Kong) (Welsh 1994: 4–5). The rapid urbanisation and city development created many urban-dwellers (Osgood 1975). People's engagement in fishing dwindled but the shark fin business, together with the

other dried seafood business, were maintained because of the profitability of shark fin and the know-how of shark fin processing. According to one of our interviewees, the processing of shark fin is the most important part of the whole business flow and this is the value-added source of the shark fin business. In comparing dried seafood industry, before the mainland Chinese traders came in, Hong Kong has the best knowledge in shark fin processing and Japan has the best knowledge in dried scallop processing.

Second, a positive correlation exists between ethnic group and the shark fin distribution network. As a whole, the shark fin business was dominated by the Guangdong people: according to another processor, 'the shark fin practitioners are mainly Guangdong people, including Chaozhou and Fujian. In Singapore, 80 percent practitioners are Chaozhou'. It further sub-divided into Shuntak and Nanhai. The clustering of shark fin business into several dialect groups suggested a certain degree of distribution networking within such a group. It appeared that the ethnic clustering of shark fin businesses reflected the small families' business background, typical in the Chinese traditional industrial *modus operandi*. Like shoe-making in Italy, shark fin processing involves skills and handicraft techniques that require hard work and workmanship. The ability to pass on those techniques in processing and complex business relations was exclusive to these ethnic groups. Having good technique and skill are important because the fin should not be wasted through the cleaning and boiling process. In other words, the skill in processing increased the value-added and the profit margin of shark fin trading. Third, shark fin business was characterised by the inter-group bonding and intra-group relations with other related industries. The whole business structure was not closely connected, nevertheless, division of labour could be found in the industry.

(Figure 1 is here)

Figure 1 illustrates the dichotomy of shark fin business in Hong Kong. The Sharkfin Business Association refers to the processing and manufacturing sectors of the shark fin business, which is very labour intensive. When speaking about shark fin, we are actually talking about the fibres inside the fin, the preparation of which is a complicated process that generally includes boiling, cleaning, removing the fin and freezing it. The best processor is the one who can retain the most shark fin. Therefore, technique and know-how in processing are most important as they are directly related to the profit and loss and cost-effectiveness (Rose 1994: 52–53). In our study, shark fin processing businesses in Hong Kong are mainly represented by small business families, especially the second generation. However, according to our interviews with the processors, about half of the processors are not association members, most are newly established manufacturers. Members of the Shark Fin Business Association benefited from the credit base allowed in payment. But, the membership also restricted their connections and the selection of the importers.⁴ Sharkfin and Marine Products Association Ltd, however, is responsible for the import and export of shark fin. They are controlled by fewer than 15 import and export companies, who make use of their capital and extensive global networks with the importing countries to facilitate the trading industry. The shark fin business in Hong Kong was characterised by the close connection with other industrial sectors, as can be seen from Figure 2.

To illustrate, shark fin business was characterised by vertical and horizontal industrial development. In terms of vertical industrial development, shark fin was imported from many other places. As an importer, a good distribution network needed to be maintained with the importing countries. For example, according to a manufacturer, the Hong Kong shark fin manufacturing industries excelled at processing and they enjoyed good connections with Indonesia.

(Figure 2 is here)

After the importation, shark fin will be distributed among the trading companies to the manufacturers through the auction process: 'generally, they [the processors] will gather together in the weekly auction held in the trading companies.' The auction of shark fin is a skilful business activity. Many processors gather together in the distribution trading companies in Man Ham West Street on Hong Kong Island. During the auction, prices are shouted via a secret code of yelling. This is particularly critical because how much you pay for the shark fin is crucial in determining the profit margin. Price negotiation should ultimately ensure that the optimum price is eventually gathered. In addition, the businessperson who bids on the price is also responsible for the examination of the quality of shark fin. Most of the time, they maintain the use of cash to finance the payment. According to a processor, they use cash for daily transactions and have only recently begun to use Letter of Credit (LC). The reluctance of using LC was due to unwillingness for negotiation with the bank, which sometimes requires documents and further financial statements. By using cash, they were more independent but still maintained a high degree of competition.

In terms of horizontal industrial development, after processing, shark fin is delivered to the local restaurants for consumption, as demonstrated in Figure 2. Such retailing processes and the end consumption of this delicacy food entail another story of Chinese eating habits and restaurant and food consumption industries, not just in Hong Kong, but among the Chinese in general! Actually, the process of horizontal industrial development was further intensified by the expansion of the processors to the service sectors by opening seafood restaurants. The making of shark fin is as complicated as the processing, nevertheless, the latest trend of shark fin eating demonstrates that consumption of shark fin has become liberalised and not restricted to restaurant and hotel dishes. Many new products such as instant shark fin (after de-hydration processing) and shark fin moon cake have been introduced to the general

public.

Finally, relations between the Hong Kong shark fin business and China have been intensified. Due to the fact that shark fin processing is labour intensive, shark fin processing has been relocating to Mainland China in order to reduce cost. The trend of establishing a business firm in China began in the late 1980s. Apart from the pulling factors of low labour cost in China, the pushing factors included the stringent environmental policy in Hong Kong after 1986 when the Executive Council approved a 10-year programme on the control of livestock waste through the passing of a Bill called Waste Disposal (Amendment) Ordinance 1987 (Hong Kong Government 1988: 295–296). After the first phase of moving the shark fin processing unit to China, the second phase was the encouragement of shark fin consumption in China.

Shark fin and seafood restaurants blossomed in China after Deng Xiaoping's 1992 'southern journey'. First, Deng's tour reinforced the importance of economic reform and marketisation (Lieberthal 1995: 143–144; and Joseph 1994: 7–8). Second, the style of eating and the increase of consumption power were concomitant with the economic development in China. According to one senior trader, shark fin became popular in China because first, it was the symbol of success; second, it was a token of business friendship; and third, eating habits imitated in Hong Kong by Chinese businessmen and travellers (see also Chuan 1998). According to a processor, China became the major competitor to Hong Kong because 'they own their shipping groups. The catches will be shipped to, for example Dalian, which will be the potential competitor to Hong Kong'. As mentioned earlier, the manufacturing sectors of the shark fin business were clustered into about 200 major companies. Their lack of co-ordination and small scale (on average ten people per company) unnecessarily dissipated their energy in market competition. Moreover, the clustering of the industry into several ethnicities also created some problems for the development of the industry as a whole because trust and capital were not

easily obtained from other sources beyond one's ethnicity. In addition, the bifurcation between importers and the processors of shark fin might also have hindered the vertical integration of the industry.

Implications

Shark fin business in Hong Kong represents a very distinctive cultural-cum-business *modus operandi*. The ways in which they trade the fins, the processing of the fin and the channels for re-exports and consumption entail certain networking behaviours. The findings indicate that information sharing and trust were positively correlated with the business network that derived from the shark fin business in Hong Kong. The importance of shark fin business in Hong Kong was not governed by trade values alone but also the volumes and import concentration in Hong Kong. Shark fin business in Hong Kong also characterised the small business nature of Hong Kong's industry. The shark fin business was oligopolistic in nature because of the correlation between ethnic groups and business networks. Three ethnic groups were predominantly involved in shark fin business: the Chaozhou, Shuntak and Nanhai. With the skill and know-how of shark fin processing highly restricted to family members. According to Leroi Henry, *et al.*, this kind of close network connection and activities 'have a particular advantage over markets and hierarchies when it comes to exchanging information, as the value of information is not easily measured and it is, therefore, not easily traded in markets or disseminated through corporate hierarchies' (2004: 842).

The study partly confirms the networking nature of the shark fin business. In terms of information flows, the network among the manufacturers on the one hand consolidates the inter-cooperation among the manufacturers and on the other hand expels those outsiders who cannot acquire any information. In so doing, the shark fin business remains a closed business unit. Nevertheless, this kind of localisation of industry can be explained by economists as a means of reducing transaction and information cost.

Among the manufacturers, half of them (89) joined the Shark Fin Business Association. Together with the non-members, the shark fin business was basically very small in scale and scope. According to the statistical findings, more than 74 per cent of the imported shark fin had been re-exported after processing. The remaining 26 per cent being consumed domestically via the channel of business networks with local restaurants and hotels. The statistical results also demonstrated that after 1984, the relations between the shark fin business and China were intensified because firstly, the stringent environmental policy in Hong Kong encouraged relocation to China; secondly, the increase of investment from Hong Kong and finally, the economic development of China and the general increase of purchasing power of Chinese consumers stimulated industry growth. For example, Guangzhou has been replacing Hong Kong's position in shark fin and other dry seafood both in terms of distribution and consumption.

In other words, this business is presenting two types of challenge: the economic rise of China, which not only serves as a processing centre, but also a trading hub and gigantic market for shark fin consumption, especially given the burgeoning super-rich class in China. The increase of consumption of shark fin will certainly put heavy pressure on the already endangered bio-diversity of the shark. In addition, the continual processing work being undertaken in China will create another blow to the already polluted environment (Economy 2004; and Ho and Vermeer 2006).

Conclusions

In the contemporary global society, the culture of shark fin consumption, contradicts many global norms such as environmental protections and bio-diversity. When compared with the financial business and other investment, for example, the 2008 import of HK\$1,552 million (US\$199 million) generated in shark fin trading is minimal. However, if such trade value was generated from a

single source which was heavily reliant on the natural resource this could certainly alarm the environmental groups. As mentioned earlier, the WWF and TRAFFIC all concentrate on the monitoring of shark trading in the world. Here, in this regard, the shark fin business of Hong Kong confronts world society with a dilemma; namely that the greater the demand for shark fin importation and hence cultural fulfilment, the heavier the condemnation from world society. One senior processor predicted the industry is like a sunset industry in Hong Kong. Profit margin is less and the environmental issue becomes more severe. Hong Kong environmental groups and NGOs begin to teach youngsters to learn the dark side of shark fin industry, and the youngsters are becoming less welcoming of shark fin soup. Chinese restaurants in Disneyland in Hong Kong, and the Chinese restaurants in those American owned hotels are banned from selling or serving shark fin soup.

Cultural identity is socially constructed through history, memory, and other cultural elements. Yet, it seems that the shark fin business has been able to create profit from food culture through the consumption of this unique product. The businessmen become the middlemen in linking capital and cultural identities, and further penetrate through whole chains of retail outlets. To counteract this, the international norms of environmental protection and concerns of bio-diversity are actually helping to give a choice to the general public between global values and cultural values.

Shark fin business allows some features of network behaviours to take shape: ethnic relations, clustering, information sharing, localisation, informal relationships. Nevertheless, we are less certain of the extent of this network in the entire business of food consumption. For example, we do not yet know the full extent of whether the shark fin processing business people also have extensive business networks or involvement in related industries, for example restaurants or hotels. All in all, there is now a pressing need as well as an increasingly recognised responsibility amongst the academic circle and the

business world to bridge the gap between profit making and environmental awareness.

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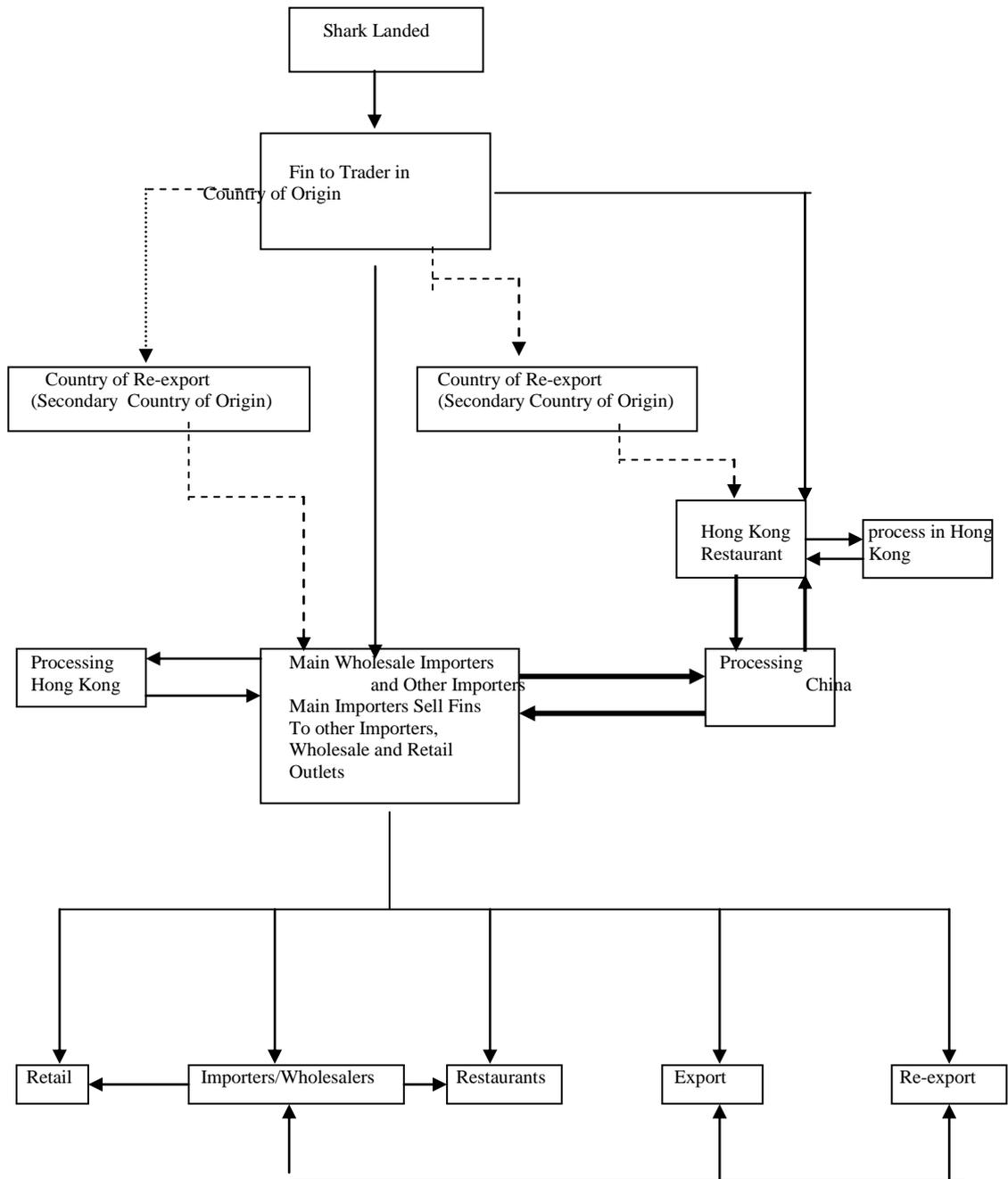
Notes

1. Before the Second World War, guests to a rich family's wedding banquet in Hong Kong were entitled to enjoy opium (see Sinn 2005: 16–42).
2. This point was raised by Professor Brian Hook in an occasion when this paper was first presented. We thank him for his insightful idea.
3. The shark fin business and trade in Hong Kong has become one of the major concerns for the World Wildlife Fund (WWF). See Press Release from the WWF on the web site: <http://www.wwf.org/new/news/pr138.htm>.
The WWF also published a research paper on the endangered species entitled: TRAFFIC. See 'World Trade in Sharks: A Traffic Overview', *Traffic (USA)*, 16(1) (May 1997): 1–5 on the web site: <http://www.worldwildlife.org/new/traffic/may97/shark.htm>.

Figure 1 The Differences between Shark Fin Business Association and the Sharkfin and Marine Products Association Ltd.

Association	Membership	Characteristics
Shark Fin Business Association	Processors	<ul style="list-style-type: none"> - Members receive credits on imports (1 to 3 months) - Lower education (Secondary schooling) - Sole-proprietor - Family business
Sharkfin and Marine Products Association Ltd.	Import and trade dealers	<ul style="list-style-type: none"> - More capital - Higher education

Figure 2 Trade Routes in the Hong Kong Shark Fin Trade



Source: (TRAFFIC Networks, 1996: 97).

Country	2002		2003		2004		2005		2006		2007		2008	
	Weight (kg)	Value '000												
USA	121,945	60,522	173,105	91,111	172,496	79,723	122,676	61,412	110,827	52,509	97,652	44,829	69,611	30,133
Brazil	266,583	109,064	281,520	129,976	269,150	141,929	236,285	126,232	166,674	88,892	172,850	85,294	199,895	90,081
Mexico	259,603	91,466	197,441	97,982	174,622	100,007	192,949	110,444	171,583	86,881	200,570	123,034	213,120	96,218
Peru	109,366	37,545	91,885	30,109	64,959	21,018	129,037	54,976	143,026	45,960	204,256	67,844	115,276	41,671
UA Emirates	493,009	122,926	469,807	95,623	450,143	85,671	535,244	121,964	425,199	116,421	471,094	120,483	491,801	152,528
Yemen	103,098	21,651	93,022	19,038	41,485	14,849	83,077	17,796	190,579	41,808	247,704	62,994	225,804	83,552
Taiwan	751,692	275,509	691,276	196,469	492,430	89,951	423,652	65,935	562,329	100,752	456,968	100,872	442,034	108,502
Indonesia	242,298	101,571	300,250	112,316	357,928	157,064	361,273	160,413	309,688	124,523	362,814	159,576	281,035	130,058
Japan	172,144	59,206	170,370	60,178	180,173	77,121	148,035	61,739	192,842	66,108	241,618	71,074	136,012	57,344
China	1,151,972	164,292	1,225,429	173,859	916,322	111,864	618,640	90,179	241,845	37,093	267,556	37,899	179,362	43,065
India	174,020	34,220	180,652	31,148	134,682	28,125	119,203	21,699	104,499	26,344	76,585	31,056	84,908	26,351
Singapore	277,643	90,851	317,471	102,496	387,697	135,854	243,002	72,174	242,599	62,443	248,301	100,620	262,336	109,350
12 countries' total	4,123,373	1,168,823	4,192,228	1,140,305	3,642,087	1,043,176	3,213,073	964,963	2,861,690	849,734	3,047,968	1,005,575	2,701,194	968,853
12 countries' %	76%	75%	74%	71%	71%	67%	67%	63%	69%	66%	69%	66%	65%	62%
All Country's Total:	5,410,371	1,564,537	5,634,105	1,613,155	5,094,423	1,559,344	4,766,712	1,523,711	4,139,069	1,293,054	4,432,382	1,524,587	4,130,710	1,552,744
Source: Data compiled from Census and Statistics Department, Hong Kong, Table 1. 4 (IM) Imports by Full Harmonized System (FHS) Item by Country (2002-2008)														
Note: ITEM 0305 5950 Shark's fins (with or without skin) with cartilage, dried whether or not salted but not smoked. Value in HK\$ (US\$1 = HK\$7.8)														

Country	2002		2003		2004		2005		2006		2007		2008	
	Weight (kg)	Value '000												
USA	7,117	3,312	7,605	3,137	417	328	2,462	1,284	3,448	1,459	5,980	2,232	9,838	3,213
Canada	16,694	15,067	12,474	15,391	4,191	6,417	5,268	2,276	5,122	6,543	2,589	4,131	6,745	3,087
Taiwan	37,540	7,187	51,843	11,673	103,336	14,330	50,485	7,811	22,528	5,388	29,025	10,377	59,238	15,089
Indonesia	55	5	6,336	130	4,402	318	3,799	710	nil	nil	nil	nil	nil	nil
Macao	7,764	3,198	7,891	4,446	13,805	7,664	53,772	17,279	53,629	16,371	26,859	15,589	38,112	26,002
Philippines	nil	nil	3,480	748	nil	nil	245	180	6,469	647	4,315	456	1,001	78
Thailand	19,452	5,802	63,245	11,256	82,047	11,821	75,950	7,803	61,910	8,389	46,851	13,854	46,850	14,373
Japan	76,281	14,445	80,183	15,373	101,804	16,183	102,106	22,019	240,712	41,986	153,597	24,061	174,868	25,972
China	3,907,231	442,303	4,706,834	513,587	4,804,720	509,595	3,232,464	354,326	2,141,096	200,465	1,815,535	143,913	1,242,587	100,402
Singapore	48,580	16,893	40,494	14,308	17,896	12,940	27,250	7,339	23,383	11,845	20,487	11,551	31,291	21,679
Vietnam	na	na	na	na	na	na	57,761	11,524	93,173	6,168	151,705	6,143	220,441	9,782
11 countries' total	4,120,714	508,212	4,980,385	590,049	5,132,618	579,596	3,611,562	432,551	2,651,470	299,261	2,256,943	232,307	1,830,971	219,677
11 countries' total	99%	99%	99%	99%	99%	98%	99%	98%	99%	98%	99%	96%	98%	96%
China total	94%	86%	94%	86%	93%	86%	89%	81%	80%	65%	80%	60%	67%	44%
All countries' total:	4,130,864	512,480	4,993,698	595,745	5,162,528	590,274	3,624,361	438,323	2,668,693	306,164	2,272,025	240,733	1,864,503	228,763

Source: Data compiled from Census and Statistics Department, Hong Kong, Table 1. 4 (RX) Re-Export by Full Harmonized System (FHS) Item by Country (2002-2008)

Note: ITEM 0305 5950 Shark's fins (with or without skin) with cartilage, dried whether or not salted but not smoked. Value in HKS (US\$1 = HKS7.8). No data for Viet