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# The rise of Hong Kong's textile industry, 1945–1974: The role of the Hong Kong Spinners Association (HKSA)

Carles Brasó Broggi 

Department of Arts and Humanities, Universitat Oberta de Catalunya, Barcelona, Spain

## ABSTRACT

After the Second World War, Hong Kong attracted industrial capital from China, especially in the cotton spinning. As the bamboo curtain unfolded, this sector sought trade opportunities in foreign markets and experienced high growth rates until Hong Kong became a global exporter in the 1970s. This article aims to explore the role of the Hong Kong Spinners Association (HKSA) which managed to control the cotton spinning of Hong Kong and a share of weaving and finishing. This article uses data on industrial growth and foreign trade as well as qualitative sources on HKSA to describe the development of Hong Kong's textile industry between 1945 until 1974. It discusses the constitution and characteristics of HKSA, its impact in the existing network of local business associations and its role in the British colony. This article argues that Chinese firms and institutions played a leading role in the export-oriented industrialisation of Hong Kong.

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## 1. Introduction

In 1955, thirteen cotton spinning companies of Hong Kong created the Hong Kong Spinners Association (HKSA, see [Appendix A](#)). The HKSA represented the interests of a group of Chinese businessmen who had migrated in the British colony in the late 1940s. They were experienced industrialists from Shanghai and the surrounding Jiangnan area and the second generation of industrial families who had thrived in the Republican period. This article examines how the spinning industry transformed Hong Kong's textile sector, leading the groundwork for its modernisation and allowing Hong Kong to become a leading textile and garment exporter in the 1960s and 1970s.

How did a city succeed in competing against big countries like Japan, India or the United Kingdom? How did its business elite negotiate their interests with both the colonial establishment and the exterior? This article aims to uncover the role of the HKSA, a Chinese private institution that was a key player in these developments. It studies the export-oriented industrialisation of Hong Kong after the Second World War, arguing that it was driven by the

**CONTACT** Carles Brasó Broggi  [cbraso@uoc.edu](mailto:cbraso@uoc.edu)

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spinning industry, a sector that has not been properly researched. The spinning industry of Hong Kong, being negligible in 1945, succeeded in developing an export-led growth well before other sectors, fuelling the city's post-war economic recovery. Contrary to the literature that emphasise the low value added of Hong Kong's industrialisation (Lee, 1999; Riedel, 1973), this article argues that Hong Kong's textile sector, being highly intensive in labour and capital, led the way of a process of industrial upgrading.

Until the 1990s, Hong Kong's economic success was generally considered to be the result of the liberal policies of *laissez-faire* and the myth of the 'barren rock', where the British settled in an isolated island and turned it into a 'capitalist paradise' (Ngo, 1999b). Since then, this approach has been criticised for being constructed post hoc, and under the assumption of a benevolent colonial rule and a weak agency of its population. Several studies have emphasised how the local population, workers, traders and industrialists, thrived in different historical periods, while pointing out the colonial interests that were behind the narrative of Hong Kong as an entrepôt, where the colonial government supported trade, which was controlled by British firms, at the expense of industry, which was dominated by Chinese companies (Ngo, 1999a). Furthermore, inside the Chinese dominated industry there were sharp differences between small and medium enterprises, mainly from Cantonese origin (Lee, 2009), and big companies like the firms of HKSA, built by migrants from Shanghai. This article explores how these tensions shaped the development of Hong Kong's textile industry.

Recent literature claims for an alternative Business History where colonial legacies produce different economic developments (Austin et al., 2017), while these experiences, like in the case of the Chinese companies in Hong Kong, should go beyond the frames of area studies to engage in the general discussions of Business History (Frost, 2021). The analysis of the HKSA as a Business Interest Association (BIAs) highlights how the economic growth of the British colony was a unique case of 'tension of territoriality and global capitalism' (Eichenberger et al. 2023, p. 217), that escape both the specificities of its colonial legacy and the general theory of free trade.

The literature on Hong Kong's industrialisation tend to focus on cheap labour and flexible small and medium companies which managed to lead cloth, garment and miscellanea exports since the early-1960s, mainly to the United States and Western European markets (Ho, 1992; Koo, 1968; So, 1986). This article underlines the role of Chinese big industrial firms in the export business of cotton yarn and cloth since the late 1940s, whose exports were more diversified. More recent research has analysed the sociological emergence of an industrial class in Hong Kong (Choi, 1999; Hamilton, 2021; Wong, 1988), taking into account the intersection of China, the British Empire and the United States (Mark, 2017; Roberts & Westad, 2017; Wong, 2022). Using an institutional approach, this chapter analyzes how the diversification strategy of HKSA went beyond this geopolitical triangle and was the result of the political uncertainties of the Cold War and the trade impediments that were imposed on Hong Kong.

## **2. The prime movers in Hong Kong's cotton's spinning industry, 1945–1954**

The end of the Second World War brought about positive prospects for global trade. The global demand of textiles boomed after years of deprivation. However, in East Asia, as well as in Europe, the post-war recovery was slow and fraught with difficulties, as most of the pre-war equipment had become obsolete. In the summer of 1945, only 10 per cent of the five million pre-war cotton spindles were active in China (Wang, 2004), while Japan's capacity

was limited to 2.5 million spindles, as compared to almost 14 million in 1937 (Japanese exports, 1948).

Foreign investors in China knew that the colonial era of the treaty ports and the foreign concessions—who privileged foreign interests and open trade—was over. The British embassy realised that Hong Kong could be an interesting substitute if only London could resume its sovereignty after the Japanese rendition. If so, the city could become an ideal place for developing manufacturing industries (Wallinger, 1945). Hong Kong had a traditional network of weaving and finishing industries but lacked spinning, which was considered the backbone of the sector. Furthermore, the Hong Kong government had given priority to services, especially in trade and finance, which were dominated by British firms and neglected its industrial base which was led by Chinese small and medium companies (Ngo, 1999a). Indeed, in the immediate post-war years, cotton spinning became 'by far the most important feature' (Industrialization of Hong Kong, 1948, p. 328) of Hong Kong's economic recovery.

This industrial growth was led by Chinese entrepreneurs. In the summer of 1946, the first Chinese industrialists established cotton spinning mills in Hong Kong, a city with a stable currency, solid banks and trading facilities. However, this liberal framework was based on a racial colonial system that marginalised the Chinese community and which had been shaken by the Second World War. While most of the European colonies in Asia gained independence, Hong Kong became an exception. The retreat of the British Empire in Asia, the recognition of China as an international player, and the hegemony of the United States did not deter Hong Kong, and its 'poker face diplomacy' (Harris, 1972, p. 51), from going back to a *statu quo ante*. But its precarious character became evident when the Peoples' Republic of China (PRC) did not grant the status of colony to Hong Kong, as it considered it to be a part of China (Mark, 2004; Tsang, 2004). This fragile and unpredictable situation shaped the business strategies of the Chinese industrialists who had settled in Hong Kong.

The difficulties in importing technology into China, due to the civil war, the hyperinflation and the tight regulations drove the Chinese industrial owners from Shanghai, who had bought machineries in the United Kingdom and the United States, to allocate them provisionally in Hong Kong. The spread of the hostilities between the Nationalist and Communist forces convinced them to put the machineries to work with a high profit rate. Even if these industrial equipment was planned for China, it stayed in Hong Kong and became the basis for the city's post-war industrialisation (Hong Kong Spinning Mills, 1948).

In 1946, C. C. Lee came to Hong Kong from Shanghai and imported the first set of cotton spindles that would soon be complemented with looms. The mill had modern facilities for workers, with dormitories, ventilation, lightning, air conditioning, but produced on a non-stop basis. Spinning factories operated with two shifts of 12 h, the only regulation being that women and children were not allowed to work in night shifts (Industrial notes, 1947). In 1948, Hong Kong had six spinning companies producing cotton yarn with a capacity of 120 thousand spindles and an overall investment surpassing 100 million HKD. Daily production reached 240 bales of cotton yarn—ninety per cent being coarse yarn of 20 counts—which meant an annual output of 30 million pounds. This fulfilled half of the local demand of yarn, coming from local weavers, and the rest was exported to the newly independent countries of India, Burma, Pakistan and others (see Appendix D). In the mid-1950s, the HKSA (1988, p. 60) recognised that its main competitive advantages was the intensive use of capital and labour: Hong Kong spindles operated 8,000 h per year, the highest rate in the world, as compared to the 5,000 h in Japan or 3,000 in the UK.

While benefitting from the supply of cheap yarn, existing local companies feared the competition of the newly integrated mills who could employ one worker for 18 looms, as compared to the traditional system of one person per loom (Drown, 1949; Macfayden, 1949). Since 1934, the Cantonese local weavers were organised in the Chinese Manufacturers Association (CMA), representing thousands of small firms, employing less than 100 workers each (Lee, 2009). Instead, the newcomers were small in number but each firm employed thousands of workers and had, thus a strong negotiating capacity. As a result, business migrants from Shanghai and the Jiangnan area, representing around 2–3 per cent of the total population of Hong Kong, organised their own institutions, like the HKSA, and gained economic and political influence in the city (Carroll, 2005; Fellows, 2016; Goodstadt, 2009).

The new cotton spinning firms were registered in Hong Kong but were subsidiaries of bigger companies that had been working in China for years (Brasó Broggi, 2016). However, China's Civil War pushed them to emancipate from their Chinese concerns. After the communist takeover in 1949, private companies were gradually taken under the control of the Communist government and this separation became permanent. Meanwhile, the Communist regime tried to convince the textile industrialists to move back to China (Return of Shanghai, 1950; Cochran, 2014). For instance, the first generation textile tycoon Liu Guojun, returned to China and collaborated with the new regime (Brasó Broggi and Ge, 2020), while his sons, H. T. Liu and H. K. Liu, stayed in Hong Kong and became founding members of HKSA. Other entrepreneurs collaborated with the PRC in their underground activities in Hong Kong or with the Kuomintang; some even worked with both (Lee, 2014). However, HKSA members developed a strong sense of community, sharing the big decision of settling in Hong Kong. They held weekly meetings, visited other's mills, and intermarriage between families was also common (Hollas and Wadsworth, 1949; Wong, 1988).

In 1949, six spinning companies of Hong Kong, employing 1,755 workers, were able to cover the necessities of local yarn consumption, while keeping their export business in the independent Asian countries (Cotton spinning, 1949). As a result, local Cantonese weavers emancipated from the British trading companies that supplied them with yarn but depended on Chinese industrial firms of Shanghai origin. Those who span before 1950 reaped high profits thanks to the high demand and rising prices. In June 1950, however, the clash of the Korean War provoked a first crisis. At the beginning, the price of yarn increased, benefiting the spinners (HKSA, 1988). However, the US trade embargo on China, which included raw cotton exports to Hong Kong and re-exports from the British colony, favoured the Japanese industrial interests, which took advantage from an easy access to US raw cotton and the lift of the US industrial restrictions (Clayton, 2006a; Sugihara, 2004). The trade embargo and Mao's first mass political campaigns changed the perspective of the Hong Kong economy, from being a centre of re-exports of goods *en route* to China (or from China to other destinations), to exporting their own goods. While private companies in the PRC were gradually taken by the state, Hong Kong companies had to demonstrate that they were not engaged in any business with the PRC (Zhang, 2001). While British trading companies experienced a major bust, cotton spinners found no choice but to turn their backs to continental China.

The involvement of the PRC in the Korean conflict and the UN trade embargo on China affected Hong Kong, which had China as its natural market and free trade as its official *raison d'être* (Koo, 1968). While cotton yarns and cloths were exported to South East Asia, Pakistan became Hong Kong's first provider of raw cotton. Hong Kong spinners purchased raw cotton from Pakistan and sold yarn in exchange until the first months of 1951, when the government

of Pakistan imposed export taxes to raw cotton. While searching for alternative sources of raw cotton in Turkey, Uganda and Egypt, some spinning firms experienced financial and liquidity problems (Hong Kong cotton spinning, 1951). At first, the British Hong Kong banks did not support the businesses of Chinese migrants, while Chinese banks were working hard to unleash their political dependencies (Lee, 2014). Thus spinning firms collaborated with intermediaries and commissioners to obtain loans and open letters of credit (Gomersall, 1957; Li Jiyao, n.d.).

The crisis remitted in 1952, when Hong Kong authorities established limits to Japanese imports to Hong Kong (and their further re-exports), while the United States took a softer approach towards the British colony. In 1953, cotton yarn exports reached 100 million HKD (see [Appendix D](#)): textile goods had risen from representing 14 per cent of the colony's total export to surpassing 20 per cent in 1952 (Silas, 1952). Indonesia replaced Pakistan as the main export destination of both cotton yarn and cloth: in 1954, 32 per cent of all Hong Kong yarn exports went to that country followed by South Korea, Pakistan, Siam, Indo-China and Burma (See [Appendix D](#)). Thus, the first push of Hong Kong export business came from the decolonisation process and the independence of Asian countries.

At the end of 1954, Hong Kong reached 300.000 spindles, producing more than 45.000 tons of cotton yarn, 75 per cent of which was exported. It was far from the eight million of spindles of Japan or the eleven millions of spindles of India (Hong Kong textile industry, 1953). As stated by an intermediary company (Textile quotas, 1959, p. 7), Hong Kong was an 'unprotected pigmy in a world of protected giants'. Furthermore, Hong Kong's raw cotton necessities (around 54.000 tons that year) were covered through a pool of cotton mill owners that joined efforts to purchase from diverse sources: Pakistan (the leading exporter to Hong Kong until 1953), Brazil (the dominant provider in 1954), the United States (leading in 1956), Egypt, Burma and other providers from Africa. This pool was one of the first actions where cotton mill owners acted together, seeking their mutual interest (The Hong Kong, 1951).

The cotton spinners joined efforts in securing payment terms and access to finance. At the end of 1954 an informal Spinners Club integrating thirteen cotton spinning companies appeared. H. C. Yung, the grandson of the biggest textile tycoon of the Republican period (Shenxin Group), and director of Nanyang Cotton Mills Ltd. was elected chairman (HKSA, 1988). In June 1955, the HKSA was formally registered with 13 companies (see [Appendix A](#)), 280,542 cotton spindles and 10,207 workers. There was no cotton spinning outside the association, while the HKSA companies owned 2,456 looms, employing 2,407 workers, which meant around 35 per cent of the city's weaving capacity (See [Appendix C](#)). In 1954, the Hong Kong General Chamber of Commerce (1954) informed that the textile industry was the top industrial employer while yarn and cloth were positioned in the first and second items in value of Hong Kong's export data (yarn was also the first item imported, as it will be explained below). As a result, textile exports became an important source of revenue for the sterling reserve system of the British colony in London (Choi, 1999). Hong Kong's post-war economic growth was driven by an export oriented textile industry which was dominated by Chinese firms.

### **3. The textile industry leads the way: the HKSA years, 1955–1968**

When the HKSA became an official association the process of export diversification and vertical integration of its founding members was already under way. The first chairman of HKSA (See [Appendix B](#)), C. Y. Wong had pioneered in the finishing business of mercerising

yarn and dying cloth in Shanghai, creating one of the first vertically integrated textile industrial groups of Republican China (Brasó Broggi, 2016). In 1948, he and his elder son, T. Y. Wong, moved to the British colony bringing an entirely new set of machineries. Hong Kong Spinners Ltd. was the biggest spinning and weaving mill in 1954, with almost 40.000 spindles, 1.000 looms and 2.000 workers. According to a memoir of a Chinese migrant, the Wang family was 'as close as one could get to being Hong Kong's own royal family' (Wang, 2012, p. 223).

One of the main objectives of HKSA was to gain access to Hong Kong's economic institutions. When they arrived, the Wongs had to cover the start-up costs with a HKD8 million loan that was acquired through the mediation of another company that negotiated with the banks on a commission basis (Wong, 2014). Other founding members of HKSA had partnered with British or foreign businessmen to get finance facilities, like The Textile Corporation of Hong Kong Ltd. (Annual Reports), of James H. Lee, with ship-owner G. E. Marden; or Nanyang Cotton Mill of H. C. Yung, with the Baghdadi-Jewish merchant born in Hong Kong, Lawrence Kadoorie (Nanyang Cotton Mills, 1957; Sung, 2004). However, most of the ownership and management of the HKSA companies were Chinese (See Appendix A).

The HKSA lobbied to enter the business organisations of Hong Kong that had traditionally excluded Chinese membership (Carroll, 2005). In 1954, a cotton sub-committee of the Hong Kong General Chamber of Commerce (1954) accepted the membership of S. H. Yang, who would later become chairman of HKSA (1956–1957). As the economic growth of Hong Kong relied on yarn and cloth exports, the reluctance of the British colonial institutions to attend the petitions of the Chinese migrant entrepreneurs was gradually lifted (HKSA, 1988). Moreover, while some small and medium Cantonese companies also scaled into vertically integrated firms, a higher number closed down, creating tensions between the HKSA and the CMA (Xianggang mianfangzhibu, 1958).

The rise of Hong Kong's spinning industry also raised concerns in Great Britain, where its once leading textile industry was experiencing post-war troubles. As the weaving capacity of Hong Kong improved, average monthly exports of cotton cloth from Hong Kong to the British market boomed: 313 square yards (1947); 4,035 (1949), 290,975 (1950); 2 million (1954), 75 million (1957) (HKSA, 1975; Hong Kong textile industry, 1956; Hong Kong trade in textiles, 1951). In January 1957, a delegation from Lancashire visited India and Hong Kong and asked for limitations of cloth exports, to avoid, according to the delegates, their 'virtual extinction' (HKSA, 1973, p. 52). The British government did not want to destabilise the Commonwealth preferential trading system (Clayton, 2006b), nor enter into a debate about labour policy in Hong Kong, so it enforced a 'voluntary undertakings' (HKSA, 1975, p. 55) under which, the British textile industry would be given a three years break to be able to recover.

The HKSA and other economic associations refused to limit exports, on the grounds of the very British tradition of free trade (China Association, 1956–57). The Lancashire mission came at the wrong time, coinciding with the Suez Canal crisis and Hong Kong's social riots of 1956. Anticolonial sentiments rose, not only amongst students and workers, but also inside the business elite, accelerating a gradual process of informal decolonisation (Fellows, 2016). While Hong Kong had accumulated 200 thousand cotton spindles, the UK operated with more than 25 million (Estimated world cotton, 1956). However, after long negotiations, in February 1959, the pressure of London imposed quotas to Hong Kong, Indian and Pakistan exports to the British markets: in the case of Hong Kong, exports were topped to 115 million

square yards per year. This supposed 'three years' break' was extended in 1962 and, afterwards, integrated in the short and long term arrangements that continued until the United Kingdom entered the European Economic Community in 1973. The HKSA actually defined that period (1955–1962) as a 'struggle against trade barriers' (HKSA, 1975), a very different vision from the free trade and laissez faire policy narratives that were later in vogue in regard to Hong Kong's industrial success (Chiu & Siu, 2022).

Furthermore, the Hong Kong government accelerated the integration of Chinese institutions in its colonial system and attempted to integrate all industrial and commercial interests in one multiracial chamber of commerce. In 1958, the working committee for the establishment of a Federation of Hong Kong Industries started operations, and the issue of how to assign political weights to the existing economic institutions raised controversies between the Cantonese associations like the CMA, who claimed for counting the number of firms, and the HKSA who demanded to take into account the size of firms. The apparition of the Federation of Hong Kong Industries in 1960 showed how the HKSA had gained positions. Cotton spinning had become the major industrial employer of the city, with around 16,000 workers in 1957, as compared to 12,000 workers for weaving (Lee, 2009). Mou Lee, the chairman of HKSA (1958–59), director of Kowloon Textile Industries, Ltd., and an active negotiator in the establishment of quotas, was elected member of the general committee and chairman of the textile committee of Federation of Hong Kong Industries (HKSA, 1988).

The Hong Kong government and the business organisations also launched a public relations strategy to counter the bad image of Hong Kong as a sweatshop. The intensive use of labour and capital was justified to the city's lack of raw materials and the necessities of employing thousands of refugees entering Hong Kong from Communist China (Fellows, 2016). The second issue of the *Hong Kong Economic Papers* (Haring, 1963, p. 2) defined Hong Kong as the most 'extreme case' of 'export industrialism': In 1959, 80 per cent of all exports were textiles and miscellanea manufactures (toys, artificial flowers, necklaces, embroidery, radios, silks, pens, thermos bottles, boots, and other cheap consumer goods). This was further confirmed in the UNCTAD conference in Geneva in 1964, where the textile sector of Hong Kong was seen as a strange case of success, despite trade restrictions imposed from both developed and developing countries (Koo, 1968).

In 1961, the United States also established quotas, despite the General Agreement on Tariffs and Trade (GATT), and other countries followed, profiting from the lack of negotiating capacity of Hong Kong. However, this system ended up being a blessing in disguise, since they took effect when exports peaked (as in the British case), securing a market share for Hong Kong. Furthermore, quotas were renegotiated on a capital basis, so exports could increase as new technologies improved the capital productivity, benefiting the bigger firms of HKSA (HKSA, 1975). In 1957, the United States became the first buyer of cotton cloth from Hong Kong (reaching a 40 per cent share in 1968, Federation of Hong Kong Industries, 1969). While Asian countries like Indonesia, South Korea, Thailand, or Philippines implemented import substitution policies, yarn exports were absorbed by the developing countries of the Commonwealth (Malaysia, South Africa, Ghana and Nigeria). Furthermore, piece goods were directed towards the Commonwealth developed countries (Canada, Australia, New Zealand, and Singapore) and Western Europe (Sung, 1967): Western Germany became the third export destination of Hong Kong's cloth, after the United States and the UK (Federation of Hong Kong Industries, 1964). As a result, in the early 1960s, Hong Kong cotton spindles saw its first major growth since the late 1940s, even though yarn exports remained stable around 100



million HKD, while cloth and apparel exports reached a 1,000 million HKD mark in 1960 (See [Appendix E](#)). Again, business diversification was the response to the uncertainties of trade barriers.

The competitiveness of Hong Kong stemmed from a combination of technology updates and the intensive use of labour and capital. In the mid-1950s the blended yarns brought a huge transformation in the textile and garment businesses. In 1954, despite its strong industrial growth, Hong Kong was running a deficit in the trade of textiles (yarns and fabrics): it imported 555 million HKD (the most important imported item in value) and exported 496 million HKD (Hong Kong General Chamber of Commerce, 1954). The HKSA members imported technology to produce blended yarns and sent abroad skilled workers and engineers. In the mid-1960s, P. Y. Tang and his company South Sea Textile Manufacturing Co. Ltd. succeeded in producing blends in Hong Kong, after learning from Japan and securing supplies of artificial fibres from the British leader Imperial Chemical Industries (Tang, 2003). The HKSA members, while acknowledging the labour-intensive character of the textile sector, put great efforts in industrial upgrading, in contrast to the majority of small and medium enterprises (Lee, 1999).

The HKSA companies became less interested in exporting yarn—only eight per cent of the yarn produced in Hong Kong was exported in 1969—as all stocks were used to supply local weavers, 40 per cent of which were part of HKSA companies and the rest, mainly Cantonese firms affiliated at CMA (Federation of Hong Kong Industries, 1964; Sung, 1967; Xianggang mianfangzhi, 1969). In the mid-1960s, Hong Kong became the third global textile exporter just behind Japan and India, the highest growth corresponding to the clothing and garment articles which were kept out from the quota system (See [Appendix E](#)). Being the first and second items in export value in the decade of the 1960s, exports of garments rose by a factor of 8, while textiles (yarns and piece goods) only doubled, while cotton yarn exports stagnated (Nehrt, 1974, [Appendix E](#)). However, thanks to the 'Hong Kong spun and woven principle' (HKSA, 1973, p. 62), by which the exports of Hong Kong cloth and garments had to use domestic made yarn and fabrics, the HKSA kept controlling the bottom of the value chain.

Vertically integrated groups also appeared, such as the Textile Alliance Limited, registered in 1962, an initiative of C. C. Lee, chairman of HKSA (1957–1958), in a joint-venture with Jardine Matheson (Hamilton, 2021); or the Winsor Industrial Corporation, registered by T. K. Ann, chairman of HKSA (1965–1968), Leopold H. C. Tang, chairman of HKSA (1974–1975) and W. H. Chow (Jiang et al., 2014; Sung, 2004). However, the structure of cloths and garment production, which was more dependent on Western markets, was more horizontal than spinning and was dominated by small and medium-sized companies. While in 1960 there was 535 clothing firms employing 42,000 workers (mostly women), in 1978 the number of firms increased to 8,104 with more than 250 thousand workers: average workers per firm diminished from 78 to 30, while half of the firms employed less than 10 persons (Hong Kong's clothing, 1979). The garment manufacturing was too diversified to be controlled either by the HKSA or the CMA, as it integrated former Cantonese firms from the pre-war era like Chung Kai Knitting (Lo, 2018), entrepreneurs from other nationalities like the Murjanis from India (Lo, 2019), and Shanghainese migrant entrepreneurs who were focused on garment since the beginning, like Wearbest Garments (Lo, 2023). These firms were behind the creation of the Hong Kong Garment Manufacturers Association in 1964 (Hong Kong's clothing, 1979).

This process of industrial growth coincided with the radicalisation of PRC that peaked in 1967–68, the worst years of the Cultural Revolution. The Red Guards took Hong Kong as the

epitome of the British imperialism and capitalism that should be annihilated. Frontier skirmishes and huge demonstrations in Canton were replicated in Hong Kong with strikes and violent demonstrations which ended in a curfew and dozens of victims (Zanier and Peruzzi, 2017). Despite the rise of strikes, some spinning factories, like South Sea Textile Manufacturing Co. Ltd. (South Sea Textile Manufacturing Co. Ltd., Annual Reports, 1969) did not stop producing. Social tensions calmed down and the shareholder meeting of South Sea Textile Manufacturing Co. Ltd. (Annual Reports, 1969) declared that 'in the course of 1968, there was a complete return of confidence on all sides in the future of Hong Kong'. Professor Peter B. Harris (1972, p. 52) remarked that 'in the extraordinary condition of Hong Kong, where 200 per cent capitalism faces 200 per cent communism, the future is best shelved in the contemplation of the miracle of the present'.

#### 4. The maturity years, 1969–1974

After the passing away of the first chairman of HKSA, C. Y. Wong, in 1965, his son T. Y. Wong was re-elected chairman and became the only member who had been chosen for the third time. He would also take the longest chair in the history of the organisation (1969–1972) (HKSA, 1988, see Appendix B). During his term, Hong Kong's industry reached its peak in both relative terms to GDP (30.9 per cent, Ho, 1992) as well as in cotton spindles, with 904,700 in the spring of 1971, culminating a period of 23 years of uninterrupted growth. According to T. Y. Wong (1972), this was even more meritorious because Hong Kong was the first economy in the world to see its textile industry develop despite having limited its textile export trade with quotas. However, when the HKSA was about to celebrate the one million mark, several companies decided to move part of their spinning capital to Malaysia, Indonesia and Africa (HKSA, 1988). Hong Kong would not reach one million spindles, even though textile production continued to increase in the 1970s, thanks to the innovations in capital productivity.

In the early 1970s, outward investments grew as industrial production costs went up while the flow of refugees from China diminished. Night shifts became less common and Hong Kong spinning mills stopped producing on Sundays, following the first labour laws (Employment ordinance, 1968, see Ho, 1992). Besides the existing quotas on piece goods, which were continuously renegotiated, the United States, the UK and the European Economic Community (EEC) also imposed quotas for artificial and blended fibres to Hong Kong, which were not applying to Taiwan, South Korea or Southeast Asian countries.

In 1971, after the passing away of P. Y. Tang, his son, Jack C. Tang, replaced him at South Sea Textile Manufacturing and decided to allocate a spinning and weaving factory in Taiwan's export processing zone of Kaohsiung, while exploring a better use for its 790,000 sq. ft. land in the New Territories (South Sea Textile Manufacturing Co. Ltd., Annual Reports, 1971). After the demise of this first generation of entrepreneurs who had started in the Republican period, like C. Y. Wong and P. Y. Tang, the HKSA modernised its image and the formal suits of the mid-1950s were replaced by gatherings with tennis polo shirts and jeans, in conformity with the global fashion trends, such as the Denim cloth, where the HKSA vertically-integrated firms were especially competitive (HKSA, 1973).

Since the mid-1950s, HKSA shared the following three simple principles which defined its competitive advantage: securing the cheapest raw cotton with a standard quality, carrying out scientific and technological management practices (especially in blends and artificial

fibres) and seeking sales in all foreign markets at the highest profit margin possible (Ricardo, 1957). Beyond that, the HKSA integrated diverse orientations and lifestyles. Whereas, the Tangs and Mou Lee, had been educated in the United States and were fond of American lifestyle, other members, like T. Y. Wong or C. C. Lee or T. K. Ann, chairman of HKSA (1965–68) and president of the Federation of Hong Kong Industries (1970–75), were more attached to traditional Chinese culture. Besides these cultural differences, however, they all shared a global vision of their business. According to T. K. Ann (1969) artificial fibres and technology upgrades were essential to fulfil human needs of clothing, given the evolution of the world's population and the limited resources. When Hong Kong ceased to be attractive for them, they moved to other destinations in Taiwan, South East Asia and, later on, the PRC.

Furthermore, HKSA members have been generically called Shanghainese (Goodstadt, 2009; Ho, 1992) even though there were differences according to the regions of origin. Only one company from the thirteen founding members of HKSA had not developed textile production in Shanghai (it came from Sichuan). However, the native place of the Lius, the Tangs and the Rongs was the city of Wuxi, in the Jiangsu province, not far from Shanghai. The Zhoushan islands, near Ningbo, in Zhejiang province was the native place of other founding members, like C. Y. Wong, James H. Lee, T. K. Ann and T. C. Ying. Besides directing HKSA in 1968, T. Y. Wong was elected member of the Association of Ningbo residents living in Hong Kong, an institution that included other relevant entrepreneurs like the ship-owners Y. K. Bao and C. Y. Tung (Xianggang Ningbo tongxianghui, n.d.). Some members of HKSA showed strong feeling of identity towards their regions of origin, where they had relatives, and tried to cross the border as soon as they could. In Hong Kong, as it happened in Shanghai, the native place associations of different Chinese regional origins played a leading role as social, cultural and economic institutions (Goodman, 1995; Sinn, 1997). Leopold H. C. Tang visited the PRC in 1972, where he met his father just before being appointed chairman of HKSA (1974–1975). He would be among the first ones to invest in China in the late-1970s (Brasó Broggi, 2016).

The upgrading of diplomatic ties between the UK and the People's Republic of China brought the issue of the future of Hong Kong to the table. In October 1971, Zhou Enlai affirmed that China would not intervene in Hong Kong before the expiration of the lease of the New Territories in 1997, bringing tranquillity to the private business interests in the city and a subsequent new boom in real estate (The future of Hong Kong, 1971). The future of Hong Kong and the New Territories had a direct impact in the negotiations for the renewal of the lease contracts that the HKSA companies had established with the city government (HKSA, 1973). Some private companies were concerned about long term contracts if the future of the British city was not clear and moved industrial equipment to other destinations. Others, however, profited from the price volatility of real estate and made fortunes of it, especially if they had purchased cheap land during the riots of 1967. According to Jack C. Tang, for instance, his fortune was more the product of some punctual real estate operations in the early-1970s, coinciding with a flat tax on corporate profits, than the result of all the industrial activities since 1949 (Tang, 2003).

The oil shocks of 1973–74 provoked fluctuations in the textile business in a similar way as the Korean War. It began with a first upsurge in 1972–73, caused by a relative fall of the price of raw cotton related to yarn. Despite the rising prices of raw cotton, electricity and freight rates, the standard price of cotton yarn increased threefold, breaking the record of 1951 (HKSA, 1988). In 1973, South Sea Textile Manufacturing Co. Ltd. and Nanyang

Cotton Mills Ltd reported a record net profit of 20 million HKD, while in 1972 it was less than five million (Tang, 1974; Nanyang Cotton Mills, Annual Report, 1974). But this boom was short lived. While Britain's accession to the EEC in 1974 ended with the Commonwealth preferential system, the US kept their protectionist policies. The modification of the quota system for a new system based on regular tariffs increased the uncertainties of the cotton spinning of Hong Kong (HKSA, 1973). In 1974–75 there was a major contraction of 30 per cent in the spinning business of Hong Kong, the biggest setback in the history of HKSA (HKSA, 1975). By then, textile goods had fallen to less than 10 per cent of all exports of Hong Kong, while the garment industry led the way, representing 44.6 per cent of all exports (Ho, 1992, p. 76).

As seen in the previous sections, the garment industry absorbed Hong Kong's yarn and cloth production but was more fragmented in small and medium-sized companies and more dependent on the developed countries, mainly the United States and Western Europe and their subcontracting deals with fashion brands. The spinning industry had grown in the 1950s and 1960s on a non-stop production basis, exporting to diverse destinations and adapting to artificial fibres and blends. In the early-1970s, however, the cloth and garment industries were more flexible and seasonal. In contrast to the masculine orientation of cotton spinning, garment manufacturing was often led by women, sometimes the daughters of the cotton spinners of HKSA, becoming the third generation of textile entrepreneurs (Wong, 2014). Finally, despite its labour-intensive character, it is evident that the sectors of spinning, weaving and garment manufacturing in Hong Kong managed to climb up the ladder of Western fashion and supply for the most respected brands, sometimes combining the mass-production of cheap components, like yarns, with the more delicate workmanship in the finishing, managed by trained personnel that earned high salaries, especially compared to their Asian competitors (Hong Kong's Clothing, 1979).

## 5. Conclusions

The evolution of Hong Kong's textile industry and the HKSA during the first decades of the Cold War shows the contradictions of an open port facing trade impediments. First it was the China blockade and, then, others including developing and developed countries, which adopted protectionist policies, driving the industry of Hong Kong to diversify. The HKSA, despite managing an important share of Hong Kong's economy, could not influence trade conditions, nor counter the protectionist policies of third parties. It is thus ironic that Hong Kong was taken as a model of economic freedom while it remained a colony. Its economic growth was rather the result of a struggle against protectionist policies that were imposed on it.

It was the political uncertainty of Hong Kong, its frontier character and the difficulties with their partners in the Cold War framework, especially China, the British Empire and the United States, which pushed the city towards global diversification. The keys to understand the competitiveness of Hong Kong's textile industry are, from one side, the capacity to improve its technical capacity through the purchase of new technologies and, from the other, its intensive use of capital and labour. These conditions were maintained by the administration of Hong Kong while the Chinese institutions, such as the HKSA were gradually integrated into the colonial society.

The HKSA's success in the colonial society of Hong Kong was due to its negotiating capacity and the fact that the textile industry was a pillar of Hong Kong's post-war economic

recovery. However, Chinese big firms and institutions like the HKSA have been neglected in the narratives of Hong Kong's economic growth. While both the Hong Kong government and the British institutions undertook negotiations with the Chinese industrial elites, imposing export quotas but avoiding labour regulations or taxes on corporate profits, the city's industrial take-off and the business diversification of the textile sector caused the city to emancipate from its colonial economic dependencies. The divergences between the interests of Hong Kong and London and the growing autonomy of the Asian city accelerated this process of informal decolonisation.

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## Notes on contributor

*Carles Brasó Broggi* (PhD, Universitat Pompeu Fabra, 2010), is a sociologist and economic historian. His research is concerned with technology and knowledge transfers between China and Europe. He has published a business history book about the Chinese textile industry in the twentieth century (*Trade and Technology Networks in the Chinese Textile Industry. Opening up before the reform*, Palgrave Macmillan, 2016) and a global history project dealing with a group of internationalist doctors who worked in the International Brigades, during the Spanish civil war, and, afterwards, in China's Red Cross (*Los médicos errantes. De las Brigadas Internacionales y la revolución china a la guerra fría*, Editorial Crítica, 2022, ICAS Book Prize 2023). He is now a Ramón y Cajal fellow researcher (2020-25) at the Universitat Oberta de Catalunya and investigator at group "ALTER – Crisis, Otherness and Representation".

## ORCID

Carles Brasó Broggi  <http://orcid.org/0000-0003-4340-3259>

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## Appendix A. The founding companies of HKSA and their management

	Name English and Chinese	Year reg.	Mid 1950s management	Mid 1970s management
1	South China Textile, Ltd. / Beautex Industrial Co. Ltd. 大南紡織有限公司	1947	C. C. Lee, T. Y. Tung 李震之, 童振远	Integrated in Textile Alliance Limited (TAL)
2	Wylar Textiles, Ltd. 偉倫紡織有限公司	1947	Wu Kunsheng, C. S. Loh, Loh Tso Ling, Tung Lee Ching 吴昆生, 吕菊森, 吕佐霖, 童侣青	Wu Kunsheng, C. S. Loh 吴昆生, 吕菊森
3	Nanyang Cotton Mill, Ltd. 南洋紗廠有限公司	1947	Y. C. Wang, H. C. Yung, Lawrence Kadoorie 王云程, 荣鸿庆	Y. C. Wang, H. C. Yung, Lawrence Kadoorie 王云程, 荣鸿庆
4	Hong Kong Spinners Ltd. 香港紡織有限公司	1948	C. Y. Wong, T. Y. Wong, Z. D. Woo 王启宇, 王统元, 何瑞庭	T. Y. Wong 王统元
5	Pao Hsing Cotton Mill, Ltd. 寶星紗廠, 宝星纺织厂股 份有限公司	1948	S. H. Yang, T. M. Tung, J. A. Chang Jye-an 杨腾惠, 童德美, 張絜庵	S. H. Yang 杨腾惠
6	South Sea Textile Manufacturing Co., Ltd. 南洋紡織有限公司	1948	P. Y. Tang, H. L. Ho, Luo Yangzhi 唐星海, 何焕霖, 駱仰止	Jack C. Tang 唐骥千
7	Lee Tai Textile Co., Ltd. 聯泰紗廠有限公司	1948	H. Y. Shing, S. C. Fang, T. C. Ying 沈浩策, 方肇周, 应鼎成	S. C. Fang 方肇周
8	East Sun Textile Co. Ltd. 怡生紡織有限公司	1949	Samuel Gee Yen, C. K. Chow, 严欣淇 (AKA 严申者), 周锡年	Integrated in Winsor Conglomerate
9	Kowloon Textile Industries, Ltd. 九龍紡織有限公司	1949	Mou Lee, W. Y. Woo 李焜, 吴英蕃	Mou Lee 李焜
10	South Textiles, Ltd. 香港東南紡織有限公司	1949	H. T. Liu, H. K. Liu, Elmer C. Ling 刘汉栋, 刘汉堃, 林兆棠	H. T. Liu 刘汉栋
11	The Textile Corporation of Hong Kong Ltd. 會德豐紡織有限公司	1953	V. J. Song, K. F. Fan, James H. Lee, G. E. Marden 宋文杰, 范桂馥, 历树熊	Eric L. Chen, James H. Lee, J. D. Clague 袁忠恺, 历树熊
12	Star Textile Ltd. 金星紡織有限公司		C. C. Lee 李震之	Integrated in Textile Alliance Limited (TAL)
13	New China Textiles, Ltd. 新華紡織有限公司			

Sources: Ricardo, 1954; Hong Kong textile annual, 1956; Huiyuan zuzhi yilanbiao, 1970; HKSA, 1973; HKSA, 1975; HKSA, 1988; Kubo, 2009.

## Appendix B. Chairman list of HKSA, 1955–1975

Hong Kong Spinners Association / 香港棉紡業同業公會			
Years in charge		Name	CH
1955	1956	C. Y. Wong	王啟宇
1956	1957	S. H. Yang	楊騰惠
1957	1958	C. C. Lee	李震之
1958	1959	Mou Lee	李焜
1959	1961	T. Y. Wong	王統元
1961	1962	H. T. Liu	劉漢棟
1962	1965	T. Y. Wong	王統元
1965	1968	T. K. Ann	安子介
1968	1969	Vincent Woo	吳文政
1969	1972	T. Y. Wong	王統元
1972	1974	Vincent Woo	吳文政
1974	1975	Jack Tang	唐翔千

Source: HKSA, 1988, p. 47.

## Appendix C. Cotton spindles and looms in Hong Kong, 1947–1974

	Spindles ('000)	Workers	Looms (HK total)	Looms (HKSA)
1947	6	102	2,600	
1948	22	405	2,791	
1949	72	2,541		
1950	132	7,374		
1951	180	8,112		
1952	200	8,925		
1953	212	8,992	3,500	
1954	242	10,046	5,400	
1955	308	12,402	7,000	2,567
1956	311	13,939	8,300	2,931
1957	320	14,522	9,900	3,201
1958	362	11,510	11,600	4,183
1959	389	12,748	13,500	4,404
1960	502	15,623	18,300	4,923
1961	618	18,289	20,100	6,444
1962	632	20,506	19,600	6,815
1963	633	19,622	19,900	7,048
1964	716	19,606	20,709	7,343
1965	724	18,496	21,198	7,656
1966	749	18,942	22,016	7,722
1967	767	20,290	23,148	8,169
1968	781	20,352	23,725	8,723
1969	825	21,814	23,189	9,372
1970	900	21,957	23,711	8,183
1971	876	20,685	24,900	8,663
1972	855	19,191	23,785	8,804
1973	882	20,423	23,578	9,523
1974	850	19,106	23,302	8,148

Source: HKSA, 1975, pp. 40–41.

## Appendix D. Exports of yarn (in million 1bs and million HKD), 1948, 1953–1956

	1948		1953		1954		1955		1956	
	1bs	HK\$	1bs	HK\$	1bs	HK\$	1bs	HK\$	1bs	HK\$
Indonesia	0	15.57	53.32	9.82	33.75	14.12	43.78	14.92	46.42	
Korea/South Korea	1.4	2.34	7.16	9.32	28.45	2.3	6.87	0.01	0.05	
Pakistan	2.2	8.04	23.79	3.53	11.23	0.47	1.54	0.09	0.39	
Siam/Thailand	4.6	1.29	3.94	1.68	4.88	4.26	12.71	2.23	6.44	
Indo-China	0.2	0	0	1.82	4.67	5.09	15.67	3.14	9.25	
Burma	1.3	2.7	7.84	2.84	8.07	2.08	5.85	1.8	4.73	
Philippines	0	1.25	3.74	1.51	5.09	1.18	4.2	3.95	14.18	
United Kingdom	0	0	0	0	0	2.47	8.8	4.71	15.79	
Other		0.12	0.77	0.08	0.64	0.41	0.91	0.12	0.34	
Totals	9.7	31.31	100.56	30.6	96.78	32.38	100.33	30.97	97.59	

Source: Hollas & Wadsworth, 1949; Yang, 1954; Hong Kong textile industry, 1957.

## Appendix E. Hong Kong yarn, textile and garment exports and industrial upgrade, 1953–1975 (in million HKD)

	Clothing & Apparel	Textile yarn & fabrics	Cotton yarn
1953			101
1954	264	496	97
1955			100
1956			98
1957			122
1958	525	666	115
1959	793	414	117
1960	1,010	554	97
1961	862	669	
1962	1,147	590	103
1963	1,383	648	
1964	1,620	707	124
1965	1,773	835	
1966	2,036	921	
1967	2,317	936	
1968	3,014	1,035	
1969	3,828	1,126	
1970	4,336		
1971	5,464		
1972	6,112		
1973	7,453		
1974	8,752		

Sources: HK General Chamber of Commerce, Report for the year 1954, pp. 72–73; Hong Kong Enterprise, September 1968, p. 39; Federation of Hong Kong Industries, Yearbooks; Estimated world cotton spinning spindles, 1956; Hong Kong's clothing industry, 1979.

Note: Export data of yarns and cloths until 1958 include exports of goods made in Hong Kong and re-exports; The 'clothing & Apparel' category include: (1) jackets, jumpers, sweaters, cardigans and pullovers, knit or made of knitted fabrics; (2) shirts, other than knitted; (3) Slacks, shorts, jeans, trousers, overalls and pinafores, other than knitted; (4) shorts, knit or made or knitted fabrics; (5) Underwear and nightwear, other than knitted; (6) shirts, knit or made of knitted fabrics; (7) gloves and mittens of all materials; (8) Blouses and jumpers, other than knitted, not embroidered women's wear; (9) Underwear and nightwear, knitted; (10) Children's outer garments, other than knitted. The category 'Textile yarn & fabrics' include: (1) cotton grey sheetings; (2) cotton yarn; (3) cotton shirtings, other than grey; (4) Cotton towels, not dish towels, not embroidered; (5) Cotton canvas and ducks, grey; (6) Cotton grey drills; (7) Cotton grey twill and sateen.

