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April 28, 2013 10:32 pm

## Great timing on the watch trade in China

*From Mr Mark Clifford.*

Sir, Living in a city that seems to have more watch stores than grocers, I read with interest your article on luxury watch sales in Hong Kong (“[Tiny city remains crucial market for Swiss exports](#)”, Watches & Jewellery special report, April 25).

Your correspondent notes Swiss annual watch exports to Hong Kong are more than \$4.5bn (“more than 20 per cent of Switzerland’s SFr21.4bn watch exports”). The same article quotes Hong Kong Trade Development Council figures that peg annual spending on watches at \$1.2bn (HK\$9.6bn). If those two figures are both correct, that suggests more than \$3.3bn in watches somehow disappeared between Switzerland and Hong Kong. That is a lot of missing time.

Most of these vanished watches are presumably smuggled into China to avoid tax and duty. Watches are a sensitive issue in China – your article diplomatically quotes a HKTDC economist as saying that watches typically are “bought as gifts for their boss or business partners”.

Giving expensive watches is one of China’s most popular and pernicious forms of corruption. A cottage industry of internet users has exposed numerous officials wearing watches that are far beyond what their salary suggests they should be able to afford. The latest official to fall under scrutiny is [Fan Jiyue](#), Lushan county Communist party chief, whose watch-shaped tan line when he toured the Sichuan earthquake area with Premier Li Keqiang was noted by internet users. They reported that Mr Fan had been photographed at other events with what looked like a \$34,000 Vacheron Constantin watch. Censors quickly blocked searches on Mr Fan.

Ironically, it was not so long ago that giving a clock or other timepiece was considered taboo in Chinese culture because the homophone for “clock” sounds like “attending a funeral”. Economic reform in China, of course, owes a good deal to pragmatism and ancient superstitions rarely stand in the way of economic advancement.

Why are watches so suited for corruption? Aesthetics and social signalling aside, watches have tangible value and can be readily sold on the second-hand market. They also have the advantage of being able to be transported across borders with far less

trouble than money or gold. Watches are, for example, not included in the US requirement that arriving visitors declare more than \$10,000 in currency, gold, bonds and the like.

If China's new leader, Xi Jinping, succeeds in his attempt to stifle corruption, it is a safe bet that Hong Kong will no longer account for 20 per cent of Swiss watch exports. Even 2 per cent would be more than enough for our "tiny city".

**Mark Clifford, Executive Director, Asia Business Council, Central, Hong Kong**