# The Connected Comprador

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**Abstract**

*Historically, business in much of Asia was mediated by compradores with knowledge of several languages, of markets and foreign business practices. This provided opportunities for the costly, avaricious and corrupt behaviour that caused the system's downfall. In today's computer-connected economy, opportunities are vastly broader in geographic, cultural, and technological scope. Western firms have assets, but need market access, low-cost producers and scientists and technicians to deploy them. Technology-savvy venture capitalists might well be today's compradores.*

During the nineteenth century, compradors brought Chinese goods to the attention of foreign exporters, and distributed foreign goods to Chinese markets. Of Portuguese origin, the term described senior local employees who purchased goods for export and arranged logistics and trade finance services for foreign firms involved in the China trade. As this role evolved, its meaning shifted, from agent to middleman, then to entrepreneur. Today, with the global reach of telecommunications services promising the "death of distance," geographic distance has less importance. Despite this, in some contexts the middleman is more important today than ever before. This paper explores the evolution of the intelligent network as an enabler for middleman across dynamic business cultures.

## The comprador as mediator

Foreign companies entering the Chinese market during the mid-nineteenth century faced difficult language barriers, a complex currency system and confusing business customs. The Treaty Port system barred foreigners from learning or speaking Chinese. Compradors helped them surmount these language and business culture barriers. The system operated on the basis of trust, without a legal mechanism to provide principals with control of their agents(1).Each comprador bore business risks and guaranteed transactions for his principals, while facing the normal uncertainty inherent in trade (2). In the event of a dispute, a comprador was often trapped between legal systems. Until the overthrow of the Qing Dynasty in 1911, the system linked foreign enterprises with the mainstream Chinese economy. While some compradors were members of the preexisting elite, others were newcomers, wealthy within a generation, who owned the most expensive Hong Kong properties by the end of the nineteenth century. Their children had access to education and other scarce resources, which they used to acquire social and economic power (3).

By 1926, Mao Ze Dong observed , "The landlord class and the comprador class are wholly appendages of the international bourgeoisie, depending upon imperialism for their survival and growth. These classes represent the most backward and most reactionary relations of production in China and hinder the development of her productive forces. Their existence is utterly incompatible with the aims of the Chinese revolution."(4) This demonisation of the comprador as a willing tool of capitalist oppression is now a standard element in revolutionary political rhetoric, especially in Latin America and Africa.

## Shortcomings of the comprador system and the evolution of foreign trading networks

The basis of the comprador's power was knowledge: initially of two languages, then of local network of producers and market channels, and finally of the business practices of both foreigners and locals. This dynamic knowledge triangle not only contained business opportunity, but also provided a broad scope for various forms of self-serving and corrupt behaviour (5), and the comprador system became very costly for foreign firms to operate.

Following the overthrow of the Qing dynasty, foreign business enterprises operating within China also faced the challenge of disintermediation. By then, many compradors who had earlier worked for the trading houses had established their own firms, and much of China's import and export trade were controlled by Chinese business networks. As the role declined in favour, some compradors joined local trading firms, and others shifted to finance, founding local banks and finance companies. A few foreign firms, such as Swire, formed joint ventures with Chinese firms as a mechanism to overcome knowledge and capacity barriers to profitable trade, while sharing risks and rewards more equitably.(6)

**The comprador in a knowledge-based economy.**

The traditional comprador was a knowledge worker in a dynamic trade-based economy. The role reveals a fascinating pattern of knowledge acquisition, transfer, and exchange. Skilled as translators, negotiators, and developers of business intelligence, they became indispensable middlemen. Eventually, some moved on to become suppliers of capital to new businesses. The relationship was symbiotic, in that early compradors relied on the Europeans for political protection, while the Western (and later Japanese) traders needed access to local networks of producers and consumers, and provision of the supporting services necessary to sustain trade. Knowledge of modern business practices soon diffused to the compradors, who became community leaders in Hong Kong by the 1860s. By the late nineteenth century, many were rich and powerful by any standard.

**Knowledge Flows and the new comprador**

The knowledge flows that support international business can be mapped along two spatial axes, forming a framework that captures some of the informational factors that contribute to the cost of doing business: First is geographic space: the effects of distance between important business decisions and the knowledge required to make such decisions, and associated complexities resulting from differences in legal systems or logistics services.

The second dimension is information space: differences in context, i.e., commercial vs. technical and scientific knowledge, or in the same vs. different language, i.e., Cantonese vs. English or Portuguese. Technical information that influences a business decision spans a greater distance in information space than purely commercial information, which is more easily understood and evaluated by decision makers. Similarly, information expressed in a language other than that of the decision maker implies a greater distance in information space from their native language. These elements are additive: information of a scientific nature, in another language, exists at a greater distance in information space than the two examples given above. Taken together, the two dimensions reflect those "transaction costs" resulting from complexity and information asymmetry, which in turn reduce the efficiency of markets.(7)

The business decisions, organised along a simplified value chain (8), begin with sourcing raw materials, followed by inbound logistics, production, outbound logistics, sales and marketing, and trade finance. Thus, for European producers doing business in China, the information distance values follow the pattern in the table below:

It is clear that exporting goods to China incurs additional information costs on the downstream side, while importing goods from China is significantly more difficult on the upstream side of the value chain. Note that the unit of analysis is the market, rather than the nation, and that, in their socio-economic development, China and Europe varied less in 1842 than today. China was in decline under the Q'ing Dynasty, while Europe's Industrial Revolution had little momentum beyond England and France. At that time, China's GDP was roughly equivalent to that of Great Britain, while per capita GDP was perhaps one-third that of less affluent European markets such as Italy, Spain, Portugal, or Ireland. And if purchasing power (PPP) is taken into account, this gap shrinks even further.(9) Its relative affluence, and slow pace of industrial development, made China an important European export market. From 1840 to 1870, the Pearl River Delta was the centre of the China trade, after which the focus shifted to Shanghai.

The model provides insight into why the comprador model initially lowered costs, then became unsustainable and was replaced by local enterprises and joint ventures between these enterprises and foreign firms as the business model diffused from Europe to China. Today, the intelligence imbedded in a network can overcome many of these barriers. Digital documents can be shared and modified by members of a community-of-interest. Real-time natural language translation, supported by domain-specific semantic networks, offer more capabilities than most human translators. With these tools, an intelligent network can adapt presentations to suit the knowledge base of individual participants.

In a knowledge economy serviced by interconnected computers, the comprador role demands a new knowledge base. The knowledge in demand is the language of science, technology, and mass marketing. Scarce intellectual property protection and venture capital formation skills overtake those in negotiations, now a commodity. While business intelligence is a critical asset today as it was yesterday, current opportunities embrace vastly broader geographic, cultural, and technological scope. China, for example, has strong scientific skills and an increasingly affluent mass market, yet needs technology development, marketing abilities, and access to capital. Western firms have these assets, but need market access, low-cost production capacity, and large numbers of scientists and technicians to deploy them. One example of the new comprador may be the technology-savvy venture capitalist with access to intelligent networks that help bridge these gaps.

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