CHUNGKING MANSIONS and the African telecom BOOM

Nathan Road is Hong Kong's busiest shopping street. It is lined with skyscrapers and decorated with neon signs of every size, colour and shape. Most of the logos are familiar: McDonald's, KFC, Samsung, Rolex, Carlsberg, 7-Eleven, Standard Chartered. This is Asia's Times Square, a luminous roll call of the world's biggest companies and products, a shrine to consumer culture in the modern world.

By Simon Allison

NOTES FROM THE CUTTING EDGE

Workers, tourists and others cram the neon shadows of the sidewalks, clutching engorged wallets and sleek plastic bags. The luxury goods in the shop fronts of polished glass and mood lighting beckon their business. Lots of money changes hands. Many shiny new items are purchased. This is the apotheosis of globalisation as we know it best, big companies, handsome profits, fancy boardrooms, high-flying executives, top-quality goods.

This is not the globalisation I have come to Nathan Road to see. I know I am getting closer to my destination when a man outside a Rolex store approaches. "Want nice watch? Mister, nice Rolex for you? I give you best price."

Despite admiring his brazen attempts to shift fakes not a metre outside a shop displaying the genuine articles, I shrug him off and turn into a narrow passage that takes me to the heart of a building called, in Hong Kong's typically optimistic style, Chungking Mansions.

This three-towered utilitarian block is one of Hong Kong's most notorious buildings. Unlikely as it may seem, it is one of the major drivers of Africa's technological revolution.

The building's history is infamous. Erected in 1961 to fulfill Hong Kong's insatiable need for low-cost housing, it soon turned into one of the most legendary stops on Asia's hippy backpacker trail, thanks to the proliferation of tiny, cheap guesthouses on its upper floors, many still operating.

These tourists enticed merchants of tacky goods, whose stalls swamped the building's lower floors. In turn, this activity attracted illegal immigrants, drug dealers and prostitutes, turning Chungking into Hong Kong's seediest underbelly, a place locals avoided completely and even police feared to tread.

In recent years, the place has cleaned up its act somewhat, but still offers the city's cheapest accommodation. It is home to a large South Asian community (primarily Indians, Pakistanis and Bangladeshis) and plenty of cheap tat: luggage, souvenirs, fake football shirts, etc.

But in the last decade or so, shopkeepers have introduced a new product which has kept Chungking Mansions ticking: the mobile phone.

Pause and shift your geographical attention to the markets of Africa, a continent that has also embraced the mobile phone in recent years. The informal nature of this business makes it difficult to cite exact figures, but it is likely that most mobiles sold in Africa are not traded through official, licensed channels.

They are hawked in markets or sold in small family-run shops displaying a dizzying array of brands and phone styles, many unfamiliar.

Often the handsets are simply lined up on shelves,

a tangle of headsets and charger cables in a box at the vendor's feet. While quality may be unpredictable, price is not. These phones are inexpensive, much cheaper than their equivalents sold in slick shops or by service providers. Without these low-priced phones, the African telecommunications revolution may never have left the ground. But where do they come from? And how do they get here?

The first question is easy. Their provenance is China, which makes the lion's share of the world's mobile handsets. According to figures released by China's Ministry of Industry and Information Technology, the country produced more then 915 million handsets in the first three quarters of 2012.

By way of comparison, analytics firm Gartner estimates that around 1.2 billion handsets were sold throughout the world in this period. While China manufactures many smartphones too (including the iPhone and the Samsung Galaxy series), it specialises in the budget handsets favoured in Africa, meaning that the vast majority of handsets in Africa will have been made in China.

The more interesting question is how these cheap Chinese phones reach Africa's markets from the huge factories in Guangzhou and Shenzhen, two major cities on the mainland north of Hong Kong. It is a story of low-end, informal globalisation on a massive scale, with dingy Chungking Mansions as its backdrop.

For African traders, there are obvious barriers to the Chinese factories and handset wholesalers. The first is language. Mainland China does not, as a rule, speak English, and African traders are yet to pick up Cantonese or Mandarin in any significant numbers.

Visas are another obstacle. China requires citizens of most countries to acquire visas in advance. This can be difficult for a small-scale African businessman who might not be able to demonstrate the necessary financial proof that he is economically independent. A third is connections. The factories are spread out around the sprawling megalopolis of Guangzhou and Shenzhen, difficult to find unless you know in advance exactly where you are going. All this makes it hard for traders to find the products or negotiate for them.

The simple solution is Hong Kong: easily accessible with many flights linking it to African countries such as Ethiopia, Kenya and South Africa. The island's relaxed entry policy means that most nationalities can get in without a visa. Much of the city's business is conducted in English so communication is easy. For the business connections: simply head to Chungking Mansions, take the stairs to the first floor, and start negotiating with the dozens of wholesalers operating from tiny shops filling the towers with every possible kind of handset.

The importance of Chungking Mansions to the African telecommunications boom cannot be overestimated. Academic Gordon Mathews of the Chinese University of Hong Kong spent five years studying the building and wrote a book on it called *Ghetto at the Centre of the World*.

In 2009 some 20% of all handsets in Africa, about 10 million, physically passed through this building, he estimated, and even more arrived in Africa thanks to deals made and business relationships formed within its walls.

"Low-end globalisation is globalisation not as practised by the big multinationals with their batteries of lawyers and their billion dollar budgets," Mathews said in an interview with CNN. "It's globalisation done

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by individual traders carrying goods in their suitcases back and forth from their home countries."

To understand Mathews, I have come to Chungking Mansions to buy phones. A Zambian friend has asked me to buy 20 handsets for a maximum of $15 each, which he intends to sell in a rural Zambian town.

This puts me in the same position as many would-be cellular entrepreneurs who are drawn from thousands of miles away by the building's whispered but well known reputation as a place where good business is done. My first lesson is that my order is laughably small. While some shops deal in hundreds of handsets, most only accept orders of a thousand handsets. One hopeful merchant even offered the exclusive rights to import his product into my country of choice.

My tiny order and small budget rule out some of the more serious-looking shops. They sell genuine new and used phones that cost the same as in any other shop in Hong Kong, beyond the prescribed budget.

Some of them also sell fakes, exact replicas of top-brand originals in appearance, and used fakes, second-hand handsets where the genuine exterior has been preserved but the electronics inside have been replaced. These sell for significantly less, but no shopkeepers would even admit the existence of potentially-illegal goods to first-time, unproven buyers like me.

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Take, for example, the phones I ended up buying. The KGtel 8520 is made by a Chinese firm I have never heard of, and modeled on the BlackBerry 8520. Even the software looks the same. There are some obvious differences, of course, most notably it is a bit thicker, lacks a track pad and does not connect to the BlackBerry messenger services. But it also has features that the BlackBerry does not, such as a torch and dual-SIM capability, which allows the phone to run SIM cards from two different networks at the same time.

Then there is the price. The KGtel sells for $15 in Chungking, while the current BlackBerry equivalent goes for about $250. This huge price difference provides the potential for serious profit. Mickey, a Nigerian trader, can stuff his suitcase with 600 similarly-priced phones and sell them at home for triple the price, a conservative estimate, he says. For his outlay of $9 000 he can recoup $27 000, which, after travel, expenses, tariffs and/or the inevitable cut paid to customs officials, is still a profit of around $15 000.

In other African countries with less supply and higher selling prices, the margins are even wider. My Zambian friend reckons he can get between $80 and $90 a handset.

As I collect the phones, I suddenly realise why traders get away with such hefty margins. I am nearly out the door when the shopkeeper's assistant, another Nigerian, employed to bring in customers and translate, slips something into my hand. "These are the stickers," he says. "Keep them safe." I look down, and there are 20 stickers each bearing the BlackBerry name and logo, designed to fit perfectly into an indent on the KGtel handset. It is a deception that would not fool anyone who has seen a BlackBerry, but many people in Africa have never seen one.

These days, as the trade in mobiles from China to Africa has become more established, the importance of Chungking Mansions is decreasing. The serious players in the industry, the ones who import containers rather than suitcases of phones, now deal directly with mainland factories. Some of the more adventurous smaller traders, looking for a better deal, are also venturing across the border, where China's recent economic progress is making it easier to do business. This is reflected in Kenya Airways announcing in April that they are introducing direct flights between Nairobi and Guangzhou.

These new developments should not detract from Chungking Mansions' continuing significance as a gateway for African traders into China. It will retain its place in history as the predominant single physical space that propelled Africa's mobile boom. It remains a symbol of the informal, low-end globalisation which expedited Africa's high-tech transformation.

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