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### Regional integration and differentiation in a globalizing China : the blending of government and business in post-colonial Macau

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## CHAPTER 2.

# Macau in the Colonial Period (1557-1949)

### 2.1. Introduction

The establishment of the city of Macau in the mid sixteenth-century was a significant event in both European and East Asian history. As the first European commercial outpost in China, Macau constitutes one of the first examples of political and economic relations being established between the Chinese empire and a European state. Most importantly, the history of Macau captures the evolution of distinct forms of economic and political organization, in response to broader developments, for example, in China, Portugal and in the region. The resulting institutional patterns have been shaped by a legacy (and co-existence) of Western colonialism and Confucian tradition, and by the patterns of relations between Macau and the Chinese mainland.

This chapter covers the political and economic history of Macau in two broad periods. The first period begins with the establishment of Macau in 1557, which resulted from a negotiation between the Portuguese and local Chinese imperial authorities. This negotiation initiated a pattern of relations between the Portuguese occupiers and the Chinese officials, characterized by local commercial agreements (in which both profited from the opportunities generated by the city's booming trade) conducted within an ambiguous political situation, characterized by different perspectives (Portuguese and Chinese) on the political and economic status of the territory. The contention for political authority over the territory was solved locally, through a wide variety of means that would change over time, but the negotiated character of Macau's colonial occupation remained essentially unchanged for two and half centuries.

The second period – ranging from the 1800s to the late 1940's – is marked by a sharpening conflict between Western colonial powers and China. In Macau, this situation produced a shift towards a less negotiated and more unilateral form of

Portuguese colonial rule over the territory. As the Portuguese claimed their exclusive rights over the territory before a defeated and decaying Chinese empire, Macau became politically isolated from China. This situation was in turn extremely favourable to the development of a locally organized, Chinese entrepreneurial class, filling the political and economic vacuum left by the imperial authorities and their institutions.

## **2.2. The establishment of Macau and the period of negotiated colonialism (1557-1840s)**

With a long history as a European trading post in China, Macau's early political and economic development illustrates how a Western power sought to impose colonialism in China while recognizing and upholding political relations with China, through both official and unofficial channels.

This section looks into the negotiated form of colonialism that resulted from the specific circumstances leading to the Portuguese occupation of Macau. China's political, social and economic situation at the time the Portuguese arrived on its shores deserves attention because the establishment of Macau served also the interests of regional and local imperial authorities, eager to profit from the economic opportunities brought by the Portuguese.

### **2.2.1. Ming China**

The Portuguese arrived in China during the Ming dynasty period (1368-1644), which is according to Fairbank, 'one of the longest eras of government and social stability in human history' (1973: 177). The population of China averaged 100 million people at the time. Excluding Manchuria and Mongolia, the administrative division of the Chinese empire was basically the same as it is today. Ming China was united under a central government, whose administration was in the hands of a sophisticated bureaucracy, backed by 'habits of thought and action that had become established part of Chinese society' (Fairbank 1973: 178). Social leaders viewed Chinese history as 'change within tradition'. Instead of the ideal of progress, which Westerners have inherited from the nineteenth century, the Chinese of the Ming and Qing periods saw their ideal models far in the past, which consisted of harmonizing with the world, by adapting to it rather than transforming it (Fairbank 1973: 178).

The decisive characteristic of the Chinese imperial system was thus its model of centralized government, built on a huge, powerful and omnipresent bureaucracy.

The establishment of a centralized, bureaucratic form of administration had been a process lasting almost 1000 years, resulting from the suppression of aristocratic clans by the imperial ruler. This slow but deep transformation of the Chinese political system took place in the centuries that followed the Warring States period (475-221 B.C.) up to the Tang Dynasty (618-907 A.D.) (Barrington Moore Jr. 1991:164). During the Tang period, the system of imperial examinations for recruitment of government officials was fully in place, and the growing size of the imperial bureaucracy counter-weighted potentially rebellious groups of aristocrats. The centralization of power by the emperor and a handful of court-officials were thus made possible by the existence of a large bureaucracy, composed mainly of an ‘upper class of scholar-officials, who descended from the established previously aristocratic landowners’ (Barrington Moore Jr. 1991: 165). The common interests between the ‘bureaucrat’ and the ‘landlord’ sustained the centralized imperial system. The construction of the Chinese imperial administration had been based on the substitution of the ancient aristocracy for the bureaucracy. In practice this meant that bureaucrats were usually old aristocrats with enlarged social and political functions (cf. Dawson 2005).

The social mechanism linking landed property and degree-holding/ political office in China, was the family, or the clan. This system worked in the following way: the landlord managed to make peasants work for him through tenancy agreements. These agreements were similar to those of pre-modern capitalism. The landowner had an economic interest in overpopulation and enticed the peasants to come into his land in exchange for a share of its produce and clan affiliation (Barrington Moore Jr. 1991: 166). The landlords supplied land and economic support to their peasants – avoiding peasant rebellions by accepting them into their clans and families – the peasants supplied the labour, and the bureaucracy supplied core public services such as water management systems or helping landlords to guarantee the control of their land, against other landlords or rival clans, in exchange for taxes.

Though the economic interest of the land owner was to acquire property for the sake of his clan or lineage, his pretensions to exert any kind of influence in the imperial government depended on either holding a degree or having in his family a prospective degree holder.<sup>1</sup> By holding such a degree, the land owner had justifiable reason to believe that he himself, or one under his protection, could achieve an official position within the imperial government and use it to help boost the family’s

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1 The landowners, depending on the size of their land or their clan, could usually have several wives as a means to ensure both the continuation of the lineage and the maintenance of the property. But it was also common practice among the smaller landowners to adopt gifted boys – usually the offspring of their relations with peasant women or domestic helpers – and to invest in their education in order to acquire an official degree (cf. Barrington Moore Jr. 1991 pp.164-170).

material fortunes. Thus, the landlord had an obvious interest in string-pulling and to have the right contacts at the court. 'Behind each imperial project, was a powerful minister, and behind each minister a powerful group of landlords' (Barrington Moore Jr. 1991: 169). Fortunes acquired by the way of imperial service were usually invested in land, further reinforcing the elite position of both landlords and scholar-officials alike and the links between them. A career in the imperial bureaucracy offered considerable material rewards and the practice of buying land as an investment after retiring from public service was quite common. The retired scholar official, now turned into a landlord, would acquire property and extend his clan, re-initiating the process described above. Landowning and bureaucracy were so closely intertwined that one could not exist without the other.

The imperial bureaucracy was a complex hierarchical system of degree-holders separating political and ideological functions from military and administrative (central and regional) functions. This model had its roots in Confucian doctrine and ethics, advocating filial piety and harmony among rigidly differentiated classes. The Confucian doctrine was the essential base of Chinese classical education and its interpretation was exclusively in the hands of a cultivated class of scholar-officials or degree-holders. The court higher-officials were all degree-holders and along with the emperor were the personification of the Chinese state (Connery 1998). Court officials differed from the court eunuchs because they were not castrated; they had a classical education and descended from important land-owner families. The eunuchs were barred from obtaining a degree, but had an important position close to the Emperor, as secretaries, personal servants and palace keepers.<sup>2</sup>

The Chinese examination system deflected ambitious individuals away from commerce and into public service.<sup>3</sup> The wide diffusion of printing and printed materials meant that the literacy level was relatively high, especially among urban populations. The diffusion of printing and the merit-based examination system had increased the absorbing capacity of the imperial bureaucracy, enabling entrepreneurs or exceptional artisans to acquire sufficient literary culture to obtain an official post (Barrington Moore Jr. 1991: 176).<sup>4</sup> Trade-related activities however, were

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2 Castration was a method used either for punishment, or to ascend to a position close to the emperor, usually on his personal service.

3 Imperial Chinese society did not create a significant urban trading and manufacturing class, although there were attempts in this direction, in the late fourteenth and early fifteenth centuries (Barrington Moore Jr. 1991: 174).

4 The attractiveness of an official post lead them sometimes to castrate themselves in order to become eunuchs and thus enjoy a position in the imperial court, possessing the advantage of already having had an education which the ordinary eunuchs were forbidden to have.

not regarded as a way to obtain social prestige. The imperial government taxed heavily on commercial activities, or turned trade into state/imperial monopolies, thus preventing the merchants to make marginal profits. Without such measures merchants would threaten the established social position of the scholar official, in the sense that by accumulating sufficient material wealth through trade, one might have ‘bought’ political influence, which in China could only be acquired through classical Confucian education. Not only were the merchants excluded from the imperial bureaucracy, but they were also prevented to assemble means of defence, like organizing armies, militias or producing weapons outside bureaucratic jurisdiction.

During the Ming period court rulers faced problems on how to extract enough resources to allow for the central government’s expenses (Moore 1991: 176). As the income and power of the average imperial official had grown over the centuries, corruption within the bureaucracy had become widespread, especially among provincial officials of distant regions, who took advantage of the geographic distance to detach themselves politically and financially, from the imperial court.

### **2.2.2. The Tributary System and Ming Closed-Door Policies**

In the early years of the Ming dynasty, technological advances in agriculture and transport, ensured China’s leading position in East and Southeast Asia, its cultural influence and the regional demand for its products.<sup>5</sup> During the reign of Zhu Di (2<sup>nd</sup> Ming Emperor circa 1400-1425), major public works were undertaken. In only twenty years, the imperial capital was transferred from Nanjing to Beijing, where the emperor built the palace complex known as the Forbidden City. The Great Wall was rebuilt and extended 1,400 km, and the enlargement of the Grand Canal – which had been first engineered in the sixth-century B.C. – was undertaken connecting the Yellow and the Yangtze rivers. Several maritime expeditions were conducted under the leadership of Admiral Zheng He (Zhu Di’s most prominent court eunuch) at least as far as the eastern coast of Africa, in an attempt to establish more tributary networks.

The expeditions had been mainly promoted by court eunuchs, who supported the development of tribute zones, which greatly benefited imperial officials from

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5 China held export leadership in manufactured and highly demanded goods such as silks, ceramics, copper and tea. China’s domestic demand for Indian pepper, sandalwood, perfumes, oils, and most importantly Japanese silver, was quite considerable; on the other hand, silver poured in to ‘balance China’s export surpluses, sometimes in rice and other foodstuffs, including animals’ (Leon 1984: 115-122).

traditional trading regions such as Guangdong and Fujian.<sup>6</sup> Roughly one hundred years after Chinese maritime expeditions were halted, the first Europeans (Portuguese merchants and Spanish and Italian missionaries) arrived on China's shores, where they encountered a distinctive 'China-centred inter-state system' (Arrighi and Hamashita 2003: 3)<sup>7</sup>. This China-centred political system, which spread throughout East and Southeast Asia, is known in the literature as the Chinese Tributary System (cf. Fairbank 1973, Gunder-Frank 1998, Arrighi and Hamashita 2003, Perdue 2003). Tribute relations were the primary underpinning in China's trading system and were fundamentally characterized by the complementarity between political ritualism and economic relations, unfolding both domestically and externally. Domestic tribute relations (in the form of taxes) linked Chinese localities to the imperial centre (Perdue 2003: 57), while external tribute relations linked surrounding tributary states such as Japan, Korea or Vietnam to the Chinese empire. Trade with foreigners or foreign states was not allowed outside the imperial edicts regulating trade missions, and thus trade was monopolized by imperial officials.

The Chinese commercial expansion in East and Southeast Asia and the development of tribute-trade networks had evolved together: tribute exchange was a 'commercial transaction which embraced inclusive and competitive relations extending in a web over a large area' (Gunder Frank 1998: 114). External tribute relations were based on suzerain-vassal relations between the ruler of China and the rulers of other peripheral states and fuelled China's military and economic hegemony in the region. China was assumed to be not only the largest and oldest among the states of the world but indeed their parent and the source of their civilization (Fairbank 1973: 195). This form of imperialism meant that if foreign rulers wished to trade with China they had to accept its terms and to acknowledge the supremacy of the Chinese emperor. The practice of these relations consisted in the exchange of convoys, tribute missions, the duty to *kowtow*<sup>8</sup> and the regulation of trade (Fairbank 1973: 197).

During the Ming period, the imperial rulers were divided about the ways China should conduct relations with neighbouring kingdoms and regions. While one

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6 Gunder Frank (1998) agrees that the suspension of the expeditions was connected to the development of the above-mentioned infrastructures, but mainly because they were too costly *vis-à-vis* the growth in expenditure in defence policies in the North, against the Mongols, and the Manchus.

7 However, it should be noted that the concept of 'inter-state system' was originally developed to describe what essentially was a European phenomenon, in the post Westphalia political context (after 1648).

8 Kneeling and bowing to the Chinese Emperor's supremacy (either the emperor himself or one of his representatives).

faction of court officials lobbied for and defended commercial expansion based on tribute relations, another faction lobbied for more public investment in military development. Intra-elite conflicts like this are illustrative of the latent political-economic 'conflict' between the maritime south and the militarized north, with a shift in favour of the latter, after the Mongol Invasion of 1439.

In 1523, the Ming emperor suspended all commercial exchanges with Japan, following disputes among the Japanese military clans, which had disturbed the harmony of the Chinese tributary system. Conflicts between Chinese junks and Japanese pirates broke out frequently, sometimes spreading into the coastal areas (Fok 1996: 31). The trade ban affected not only the security of the coastal provinces but also the imperial finances<sup>9</sup>. Local mandarins, trade supervisors, tax officers, foreign merchants, local smugglers and pirates became united in the common goal of circumventing imperial rules in order to assure profits (cf. Pires 1991: 8-10). Trade continued, though illegally and in the form of piracy, and thus Japanese-Chinese smuggling networks blossomed with the tolerance or support of provincial authorities (Fok 1996: 31). The military had few control mechanisms left on the coastal areas and, in practice, the imperial prohibitions did not prevent Chinese and Japanese merchants, followed by the Portuguese, from continuing to trade on Chinese shores.

### 2.2.3. The Portuguese negotiate their presence in Macau

In the beginning of the sixteenth century, the Portuguese expansionary project was at its height. The maritime trade with India had become the most important source of revenues for the Portuguese Kingdom. Although they were very far from controlling the production or extraction of the goods they traded in, the Portuguese effectively controlled the commercial naval routes of the spice, gold and silver trade into Europe, thus greatly influencing both their production volume and their prices (Leon 1984: 118).

The Portuguese had been the first Europeans to venture into the Indian Ocean propelled by economic motives. But unlike most traders before them (Italians and Arabs) the Portuguese were highly militarized. In order to maintain the monopoly of trade with India and the military domain throughout the main trade routes of the Indian Ocean, a number of militarized control structures were created. These were the *feitorias* – a combination of a fortress with a permanent army and a trading post which excluded traders other than those associated with their trade monopoly

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9 The devaluation of Chinese banknotes – used under the Song and Yuan dynasties – had created a growing demand for precious metals, especially Japanese silver (Gunder Frank 1998: 218).

(Schwartz 1994:34). These trading posts were to be found along the West and East African coast, and later on in India. With the prosperity generated by the spice trade, the *Carreira da Índia* was created – a state-owned military organization that monopolized the shipping of the goods back to Portugal and to the royal trading house in Lisbon. In a short period of time the Portuguese dominated the main ports in the Indian Ocean. After having seized Diu and Goa, Calicut and Malacca were taken in 1510 and 1511, and Ormuz and Colombo in 1515 and 1517 respectively.

Following information about the possibility to trade with China, the Portuguese sent expeditions to the Chinese coast with the objective to settle on a permanent basis in the islands at the mouth of the Pearl River, in the Chinese southern region of Guangdong. Going against imperial laws stating that ‘non-acknowledged vassals’ could not trade there, the Portuguese sought unsuccessfully to send their own envoys.<sup>10</sup> The Chinese imperial authorities, despite having promptly expelled the Portuguese from Guangzhou, remained impressed by their sophisticated weapons and their shipbuilding, and after some negotiations the local officials allowed them to trade in the sea. In the absence of imperial supervision on overseeing compliance with the trade ban with Japan, ‘illicit’ trade had at first been a private business between the Chinese and the Japanese, but soon the Portuguese took over the role of middlemen in the forbidden trade. Their sophisticated shipbuilding skills and weapons, and the direct access to spices from India, sandalwood from Timor, and especially silver from Japan, turned the Portuguese into good candidates for this role. Between 1542 and 1557, the Portuguese were operating ‘illegal’ trading posts in Ningbo and in the Pearl River Delta, in a succession of failed attempts to establish a strong foothold on the Chinese Coast (Mesquitela 1996: 29-46). The Portuguese soon understood that in order to trade with China, this would imply ‘kowtowing’ to their rulers rather than trying to fight them. In 1549, they supplied military support to Guangzhou’s Mandarin, contributing with three cannons and fifteen men (Mesquitela 1996: 114). Subsequently, it is said that in 1554 the local deputy of the Chinese Imperial Maritime Defence allowed the Portuguese to establish themselves in the peninsula of Macau, outside of the imperial court’s official approval (Mesquitela 1996: 117).

After years of relentless bribery by the Portuguese traders, the profits extracted by regional and local imperial authorities were crucial for trading lobbies to re-emerge

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10 Early Portuguese missions departed from Malacca to explore the southern Chinese coast. In 1513, Jorge Álvares reached Tunmen in Fujian province, and in 1515 Rafael Perestrelo went up the Pearl River in Guangdong Province. In 1517 Tomé Pires reached Guangzhou, where he and his sixty men were arrested and who later died in prison in 1524 (Pires 1991: 8-9).

in the Ming court. However, the Portuguese connections with Japan<sup>11</sup> were seen as cause of concern for the Chinese ruler, while provincial officials were keen in profiting from the situation (Fok 1991: 36). Southern officials had few means to control the smugglers and the pirates, and this implied a considerable loss in trade revenues, especially since the city of Guangzhou was closed to foreign trade. At the heart of the debate at the imperial court was the question of whether trade was a good way to keep vassal states appeased, since it had failed in the case of Japan. The position defended by Guangzhou officials was that trade relations with Japan could be worked out with the intermediation of the Portuguese, in opposition to more radical northern officials keen on expelling all foreigners or potential invaders. This faction took the Portuguese settlements' as a 'problem'; they were against this foreign presence in Chinese territory and used metaphors that described them as the 'hidden root of future worries', the 'lethal disease between the stomach and the heart' or the 'southern ulcer' (Fok 1996: 34).

In 1557 the Mandarin of Guangzhou (the highest imperial representative in the city) allowed the Portuguese to settle in Macau.<sup>12</sup> However it was not military power that enabled the acquisition of Macau, but a wide measure of consent from the Chinese authorities. Court approval came in 1573, when the Portuguese were demanded to pay the annual imperial rent – the land lease or, in Portuguese, *foro do chão* – for the use of the peninsula. The regional authorities ordered the construction of the gate separating Macau from the Mainland – *Portas do Cerco* – and they introduced a system of taxes and duties, to be overseen by the nearest high-rank official, the Mandarin of the Xiangshan district (corresponding to present-day Zhuhai). Suspicion remained, but the profits were large enough to satisfy the local mandarins, the imperial censors coming down to Guangdong and, of course, the Portuguese traders. In an excerpt taken from the biography of a Guangdong official (quoted in Fok 1996: 35), the economic and practical reasons on why dealing with the foreigners was ultimately regarded as positive, are unequivocally resumed:

Whenever the Portuguese visited us, they would bring indigenous products like pepper, rare woods, marble, sandalwood, and incense that they would sell

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11 Portuguese expeditions to Japan were relatively more successful than those to China. In Nagasaki, the Portuguese managed to obtain a commercial exclusive with the local *daimio*, in supplying the highly sought-after goods from China, Malacca and India. In 1569, the Nagasaki port was ceded to the Portuguese, and these were the only foreigners allowed to trade with Japan (Cremer 1991: 35).

12 Some historians are of the opinion that it was in recognition for fighting the *wako* (Japanese) pirates (cf. de Jesus 1990, B.V. Pires 1991, Mesquitela 1996), while others claim that it was gifts and money given by the Portuguese traders that convinced and seduced the local mandarins (cf. Fok 1996, Wu 1999).

at the border to the Chinese for a very low price. In turn they paid double or triple of the normal price to obtain from us the daily necessary products like rice, pigs and chickens. That's why everybody wants to trade with them. They don't steal or kill anybody (...), which just proves that instead of harming our people they are benefiting them.

For the Portuguese, Macau was a good place to settle because it was sufficiently close to the trading city of Guangzhou; and its geography (a peninsula linked by an isthmus to the mainland) and the navigability of its waters made it a strategic place to defend from possible attacks. Much based on their experience of invasions from the North, Chinese Court officials believed that any attempt to seize land in China would be followed by others, so they consented to Portuguese military presence but only to the extent it served the purpose of repelling Japanese attacks along the Chinese coast. As long as the security of the Middle Kingdom would not be jeopardized, Portuguese presence could actually serve as an insurance against Japanese invasions. Although despised in their ways and manners by the Chinese, the Portuguese still managed to impress them with their weapons and military techniques (Fok 1996: 56). But despite the strategic importance of Macau in the expansion and defence of the far-eastern trading routes, the Portuguese military presence in Macau had to conform to Chinese imperial interests otherwise they would force the Portuguese out of the territory.

For the Chinese imperial court, the annual payment of the land lease to the emperor harmonized the Portuguese presence in Macau with the tributary system. Macau's political formula came to celebrate a political and economic exchange, which suited both local and central Chinese authorities. Everybody seemed to be satisfied: to lease Macau to the Portuguese was a way of keeping them under control and to guarantee access to the foreign goods sought-after in China. But most importantly, Chinese imperial officials expected this arrangement would provide the means to get rid of the Chinese merchant groups that engaged in 'illicit' trade – outside imperial control – with foreigners. The existence of Macau provided a good opportunity to control and prevent these groups to negotiate with the Portuguese without government or official sanctioning. Yet, in practice, Macau was sufficiently peripheral to allow that all trade conducted by the Portuguese went free from any intervention, except in the payment of the land tribute and the common gift rounds to the local mandarins, until the establishment of the Chinese customs post (see below).

The entrepreneurial spirit and persistence of Portuguese traders and navigators coupled with the perennial conflict between anti-foreigner government officials and more pragmatic lower-rank, provincial government officials – and the geographical distance between the two – allowed for the development of a small fishing village into a prosperous port-city in a relatively short period of time. The city of Macau

soon began to thrive on lucrative trade routes in East and Southeast Asia, growing autonomously from the Middle Kingdom into a cosmopolitan and religious centre on the shores of China.

#### 2.2.4. An early political triangle: Merchants, Mandarins and Missionaries

The economic importance of Macau in south-coastal China was based on its strategic role in three main commercial routes: Guangzhou-Macau-Nagasaki, Guangzhou-Macau-Manila and Macau-Malacca-Goa-Lisbon. The prosperity of Macau in the early period owes to the Japanese trade segment, serving as the exclusive intermediary between Chinese silk and Japanese silver.<sup>13</sup>

Starting out from Goa, the annual ship – the *nau* – departed in April/May, with cloth, cotton, glassware and wines. In Malacca, part of the cargo would be exchanged for spices. Arriving at Macau, there was a stay from ten to twelve months necessary to obtain Chinese silks at the bi-annual sales at Guangzhou. The ship finally left for Japan around July with the southwest monsoon. The return journey was made with the northeast monsoon of October, arriving and remaining in Macau until March of the following year. In Macau the bulk of the silver was unloaded and used to pay for the purchase of the cargo of silk for the following year for the return trip to Goa. This is illustrated by the following account by a Portuguese chronicler in 1635:

Of the voyages which are made from this city of the Name of God, it is clear that the chief and most important is that of Japan, (...) taking ten to twelve days on the outward voyage, and eight to ten to return (...) By staying in Japan for about a month, a market is secured for all these commodities, which include, in addition to silk, much gold, China root, (...) much camphor, many gold lacquered cabinets, all of which is exchanged for some of the mass of natural silver there is in Japan.<sup>14</sup>

The most detailed account is given in Gunn (1996: 20-21):

The Chinese Mandarin levies anchorage dues on each ship from the captain, and the merchants have nothing to pay except the freight on their cargoes. No manufactured goods or textiles are made within the city limits, but everything

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13 There was no competition at the time from other European powers, until the Dutch conquest of Malacca in 1641, a few years after the expulsion of the Portuguese from Japan in 1638.

14 A. Bocarro, quoted in Pereira (1995: 55), m.t.

required for these voyages must be brought from Canton [Guangzhou] with junks and other vessels. For this purpose two large fairs are held there annually, at which season several merchants are nominated to go and buy there, both for themselves, as on behalf of others, and to order in time for delivery at the next fair, such goods as may be required (...) When the Portuguese arrive off Canton, whence they go to the viceroy [mandarin] bringing him a present which, in accordance with ancient usage is never less than 4,000 (silver taels), and sometimes more. This is solely to obtain permission to trade freely. When this is obtained they advance money to the Chinese merchants to enable them to prepare the weavers, looms and other gear, and in this manner they order as much as they want. They go again to the viceroy to ask permission for the *feira* [market] to be held which must likewise be accompanied by another substantial gift.

Thriving economically from the profits of the Japanese trade and on its exclusive international entrepôt role in coastal China, Macau became social and politically more complex. From historical accounts such as the ones above, one can infer that in the sixteenth and seventeenth centuries a very prosperous society flourished in the territory. The Portuguese socio-cultural influence grew through the Church and through a creolized group – the Macanese – the offspring of intermarriage of Portuguese merchants and sailors with Malay, Indian, Japanese and Chinese women.<sup>15</sup> The Portuguese who came in the ships were exclusively male, and if not priests, they would usually bring women from the various places where they traded. Historical sources referring to this period mention a wealthy merchant elite and a creolised society, with ‘just one woman in Macau that was born in Portugal, others are Indian, Malay or Chinese, rich in dress and custom.’ (Gunn 1996: 65-68).<sup>16</sup> Among the Portuguese, there were essentially three groups: sailors, high rank ship officers and traders - ‘the wealthy men that conducted the voyages to Japan, Manila, Macassar and Timor’ (Mesquitela 1996: 66) - and missionaries from a different number of religious orders. A Portuguese chronicler wrote in 1637 of a class of Chinese Christian interpreters – *jurubassas* – new converts who were close to the religious orders but somewhat apart from the overall Chinese community (cf. Fok 1996 and Pereira 1995: pp. 55-59). However, the Chinese already constituted the largest workforce in seventeenth-century Macau. These were mainly fishermen or ‘boat people’, but they also developed complementary services like woodcutting, brick layering or shipbuilding, and also several prosperous Chinese shops in Macau, despite residen-

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15 Chinese women that cohabited with the Portuguese were usually domestic slaves or prostitutes (Gunn 1996: 65).

16 See also Boxer 1948 .

tial restrictions imposed on them (cf. Pereira 1995: 57-59). This shows that the Macau merchant elites would gradually become more diversified; not only Portuguese merchants, ship-owners and risk-takers but also Chinese shop-owners and artisans, especially in the flourishing silk business (Gunn 1996: 67).

Macau had also become a vital base for evangelization groups operating in the Far East, attracting priests from various orders and countries, who were sent on missionary expeditions first to Japan, and later into China. The Catholic Church was heavily present in Macau, across the whole landscape, which today is still visible in the large number of churches. Several religious orders had permanent representation in Macau: Franciscans, Dominicans, Augustinians, but foremost were the Jesuits (Teixeira 1991: 44). The Jesuits had privileged links with the merchants, and their richness and opulence can still be captured in the ruins of St. Paul's Cathedral in Macau. Jesuit activities ranged from evangelization to diplomacy, translation and education. They were the ideologists of Portuguese trade expansion and were heavily criticized by other religious orders on their easy adaptation to the Chinese custom, which made their reputation of 'heretic order' grow parallel to suspicion of collaboration with the Chinese authorities outside the political domain of the Portuguese merchants (Teixeira 1991: 45). In the first centuries of the Portuguese occupation of Macau, Jesuit presence and influence extended beyond their religious activities. They played an important role as translators and diplomats, and their growing influence at the imperial court in Beijing set them apart from other religious orders, and thus they were a vital asset in negotiating and solving all kinds of disputes with the Chinese Mandarins.

In the meantime, the profits from the Japanese trade enabled the development of a financially self-sufficient community in Macau, with its own administrative structures and political institutions. The Macau of the sixteenth and seventeenth centuries thus became an important religious and commercial centre in East Asia, where a Portuguese merchant-military class and an elite group of missionaries gathered sufficient financial and military means to create and sustain political mechanisms and institutions to rule the city.

### **2.2.5. Split jurisdiction: the Loyal Senate and the Chinese Customs Post**

Macau's inclusion in the vice-kingdom of Goa meant that the *Capitão-mor*, the Portuguese Commodore of the main *nau* (trading ship) was vested with the highest political authority and with the monopoly over the trade conducted annually with Japan. In the early days, during the stays in Macau for the commerce with Guangzhou, the *Capitão-mor* was assisted by a Council comprising of his *Capitão de Terra* (Land Commodore), the *Ouvidor* (a type of judge) and four merchants.

As commerce expanded and attracted a greater population, the council grew into a slightly more complex structure, the *Leal Senado* - Loyal Senate. Since its inception in 1583 and until the late eighteenth-century, the Senate was the dominant political institution, which foresaw and created complementary ties and institutions with the Chinese authorities in Guangzhou (Pereira 1995: 79).

The creation of the Loyal Senate began a period of 'plutocratic governance' (Sousa Santos 1998) in which Macau was 'ruled by *juntas* of the wealthiest merchants concerned with the Japanese trade' (Gunn 1996: 36). They managed to implement a somewhat independent governmental regime, but who continued to affirm their loyalty (therefore the name) to the Portuguese king<sup>17</sup>. The Senate was a very complete and representational structure, endowed with wide judicial and administrative powers. Elections for the Senate took place every three years, drawn exclusively from the Portuguese population, composed mainly of soldiers, merchants and priests. It took care of urbanization and municipal administration, treasury issues, arbitration issues and, last but not least, it was officially in charge of the relations with Chinese officials. It was presided over by a Bishop and the Commodore (or in his absence the land commodore), and comprised of two judges (*ouvidores*), three counsellors (*vereadores*), who usually were merchants, and the *Procurador*. The Procurador was in charge of the relations with the Chinese officials and administered the Procurada: a small public security force, simultaneously customs superintendent and treasurer. In 1584, the Procurador was granted with the grade of 2<sup>nd</sup> class Mandarin with jurisdiction over the increasing Chinese community in Macau, which is illustrative of the Chinese acknowledgement and recognition of the Portuguese presence in Macau (Gunn 1996: 43).

The Loyal Senate was also a self-financed institution. Macau's finances comprised of taxation based on an assessment of the ship's cargoes, taxation which had to be paid in kind. The rates were fixed annually, and customs duties reverted to Macau's treasure, or 'civil fund', which served to pay the land lease, to keep the artillery, the clergy, gifts for the Chinese authorities and a share for the Commodore himself. Voyages to Japan could only be made by those nominated by the Loyal Senate, which became in fact the main undertaker of the voyage monopolizing all

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17 In 1580 Portugal had been annexed to the Spanish kingdom. The King of Spain was the next in kin to the Portuguese king Sebastiao, who had died before producing an heir. In practice, Macau was sufficiently far away to escape the growing influence and interference of the Spanish interests in this part of the world. Despite the political situation in Europe and the decline of Portuguese maritime trade, the situation in Macau remained basically unchanged for a long period of time. According to historian Wu Zhiliang (1999), the 'double loyalty of Macau', towards the king of Portugal and the Chinese emperor was pragmatically used and shifted in response to political developments in Portugal and China (Wu 1999: 84-92).

the trade with Japan. The influence of the Church assured the inclusion of missionaries on these trade expeditions.

However, when the Manchu dynasty (Qing) replaced the Ming in 1644, there was a movement towards increasing Chinese intervention in Macau's affairs, especially through the creation of a *Chinese Customs Post* within the city's walls. The Portuguese in Macau swore loyalty to the Manchu emperor in 1651, but the pressure had mounted at the court to keep a closer eye on them in Macau (cf. Fok 1996: 116-118, Mesquitela 1996). In the absence of a permanent Portuguese ambassador in Beijing, Jesuit priests conducted several diplomatic missions, between 1657 and 1670, in which they were successful in interceding for the preservation of Portuguese rule in Macau, its trade and religious missions (Pires 1991: 15).

In 1688, the Chinese customs post (*hoppo*) was established inside the city walls, with a permanent representative granted with judicial powers. This move constituted a challenge to the Senate's exclusive role in overseeing Macau's political and economic affairs. There was a reinforcement of military personnel on the Chinese side of the gate, and Qing interdictions on foreign trade were extended to Macau, with increased taxes on the traded goods (Pereira 1995: 19). In 1732, a second *hoppo* was introduced and a specially appointed Mandarin came to live on the Macau side of the gate. The main function of the imperial officials stationed in Macau was to control and administer the growing Chinese population, and those who dealt with foreigners, mainly Guangdong merchants (Pereira 1995: 22).

At this point, relations between the imperial and the Portuguese authorities became no longer restricted to the collection of land and trade taxes. In 1744, an imperial decree ordered that the Chinese population in Macau should be under imperial jurisdiction. This meant that in cases of felony, the court would be presided by a high-rank mandarin, and not by Portuguese authorities (Pereira 1995: 22-23). In 1749, another decree forbade the construction of public buildings like churches and fortresses without previous mandarin authorization, and a year later the prohibition of Christian practices in China was extended to Macau (Pires 1991: 11). Several churches were shut down, although the prohibition applied only to the Chinese population (Pires 1991: 11).

This series of measures illustrate a growing trend of imperial interventionism and the fading away of the arrangement that characterized the situation under the Ming – paying the land lease in exchange for political exclusiveness over Macau. Despite these efforts to re-assert and reinforce Chinese imperial power over Macau, in practice, the rules and demands were in fact an extension of financial extortion (Gunn 1996:46). This meant that, for every new church, house, street or ship built in Macau, the Mandarin had to be persuaded to approve the project. All these restrictions gave the powers of the Senate a considerable blow, gradually depleting its finances. Portuguese presence in Macau (including traders and missionaries) con-

tinued to be tolerated, but only to the extent of their cooperation with the imperial authorities.

### 2.2.6. The influence of Guangzhou in Macau's trade

During the Qing period, Chinese maritime trade increased, outgrowing the framework of the tribute system. According to Fairbank (1989: 255), two great commercial interests expanded in this period: the trade of Chinese merchants with Southeast Asia and the European trade in Guangzhou.<sup>18</sup> The expansion of Chinese merchants in Southeast Asia was carried beyond the old forms of tribute, and thus in order to regulate this trade, Qing officials used an old traditional device: they appointed merchant firms – *hongs* – to be the licensed brokers, responsible for the conduct of trade (Fairbank 1989: 255). Chinese traders had led the way in expanding beyond the tribute trade system and the Westerners merely moved in the channels they had created (Fairbank 1989: 255).

After being virtually shut down to foreign trade during the last century of Ming rule, the Qing rulers decided to re-open Guangzhou to direct trade with Europeans in 1685 (cf. Ferreira 2002: 148-179). Guangzhou flourished and prospered under the early Qing Empire, cementing the political and economic ties with Macau, while the Portuguese traders were losing out to other Europeans (from Holland and Great Britain) the exclusive right to trade with China.<sup>19</sup> The Chinese merchants that handled the European trade at Guangzhou were organized under a licensed monopoly. This meant that the imperial government had appointed and licensed thirteen *hongs*, by giving them the monopoly of Western trade. In 1720 all the thirteen *hongs* of Guangzhou came together to form a large association – the *Cohong* (Ferreira 2002: 151). The *Cohong* assured the exclusivity of the *hong* transactions against their contribution (of 200,000 silver *taels*) to the local and central imperial authorities. It functioned as a regulatory mechanism, licensed by and responsible to imperial officials, leaving no room for private enterprise (Fairbank 1989: 255). The *Cohong* members enjoyed all commercial privileges and the organizational structure of the *hongs* became more complex. By the end of the eighteenth-century, each *hong* in Guangzhou had a number of foreign agencies: Portuguese, British, French, etc, that could only operate outside the city walls.<sup>20</sup>

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18 Also known as the Canton trade (cf. Fairbank 1989: 254, Ferreira 2002: 150-153)

19 For a description of the seventeenth-century British economic expansion in China in the context of Portuguese-British relations, see P. Borges Ferreira 2002, pp.75-141

20 The mandarins had to supply facilities where the foreigners could do their commercial

Until the Opium Wars in the 1840s, Macau had an important role in the Guanzhou trade, and even reproduced some of its patterns on a smaller scale. Commercial activities were almost entirely in Chinese hands, through local shop owners and an elite group of Chinese *compradors*, each of them heading a trading house, which served in fact as commercial branches for large trading houses from Guangzhou (Ferreira 2002: 163).<sup>21</sup> All foreign ships heading to Guangzhou had to first stop in Macau, where taxes were collected, both by the Portuguese and Chinese authorities. Upon arrival they negotiated with a local comprador, who supplied a pilot and a translator, who were also members of the *hongs*. Although based in Macau, the *comprador* acted on behalf of one of Guangzhou's *hongs*, by granting the foreign ships with the necessary credentials to trade in China (Ferreira 2002: 163).

At the turn of the eighteenth to the nineteenth century, the resentment of European traders grew, especially among the British, who had no means to compete with the *hongs*, protected as they were by the Chinese bureaucracy. Until then, the relations between Europeans and China had been relatively easy, mostly handled by trading companies and not by sovereign governments, rarely raising questions of equality between states. With the British expansion at its height, 'Guangzhou had been drawn into world trade, though the Chinese empire remained unaware and politically cut off from it' (Fairbank 1989: 256). In their endeavours to abolish the *Cohong*, the British traders soon brought in the army and the already tense relations with the Chinese imperial authorities quickly escalated into an armed conflict, known as the Opium Wars.

### **2.2.7. The impact of the Opium Wars and the shift towards unilateral colonial rule in Macau**

The trade in opium had flourished since the early 1700s, when China's demand for opium from Bengal rose to proportions which 'had contributed greatly to the financial crisis of the Qing government' (Gunn 1996: 57). This lucrative trade had been developed through Portuguese and Chinese commercial networks, in which the Portuguese transported the opium from the Indian port of Daman to Macau,

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transactions. These foreign agencies were in fact warehouses rented to *hongs*, with consent from Chinese authorities (cf. Ferreira 2002: 151-158).

21 Most of the goods traded by local shops and large trading houses in Macau came from all parts of Mainland China, from food and staple goods to manufactured and processed products (c.f. Ferreira 2002 :160-165, Pires 1991:10-13).

from where the cargo would be smuggled by Chinese traders into Guangzhou and Ningbo (Gomes Dias 2004: 25-29).

The competition from British trading fleets intensified in the early 1800s as they would bypass Macau and anchor their ships directly in those ports to sell their cargo. The British ignored imperial trade restrictions and tried by all means to impose and expand their commercial interests beyond the limits imposed by the Chinese authorities. Since the Chinese were not interested in any form of trade besides what was already stipulated, in face of ever-growing British demands, in 1839 they closed the Guangzhou trade and expelled all foreigners, marking the beginning of the first Opium War. British military power achieved the first victory in 1842, and through the Treaty of Nanjing, the British colony of Hong Kong was established. The British, however, wanted to have the monopoly of opium trade from India into China. The growing attacks on Western interests and the blockade in Guangzhou prompted British and French expeditionary forces to go into Beijing in retaliation, marking the beginning of the second Opium War. In 1860, following the Chinese military defeat, the British finally ensured the monopoly of the opium trade from India to China. A system of treaties was put in place between Western powers and China, which would be considered 'unequal' by the Chinese rulers, and a result of a 'humiliating military defeat' (Pereira 1995: 36).

The escalation of the military conflict between the British and the Chinese compromised Macau's authorities and placed them in a delicate position. On the one hand, the British were displeased by the fact that the Portuguese in Macau allowed for Chinese war junks to be stationed in the city's harbours (Gunn 1996: 61). As the old alliance treaties between Portugal and Britain were called upon for mutual defence in case of Chinese aggression, the terms of the debate, in Macau and in Lisbon, included those who favoured continuing the sufferance before Chinese authorities and those who favoured asserting once and for all exclusive sovereignty over the territory. Facing increasing competition from other European powers in the East Asian region, such as Holland, Britain and France, Portuguese 'enlightened' rulers changed their foreign policy, creating a move towards claiming 'incontestable sovereignty rights' over all overseas colonies and possessions (Pereira 1995:29).<sup>22</sup> Back in 1793, the *Providências Régias de D. Maria* (Queen Mary's Royal Provisions) had given a considerable blow to the powers of the Macau Senate. These provisions, or decrees, foresaw the appointment of a Governor who should cut, instead of maintain, the diplomatic and commercial ties with the mandarins (cf. Pereira 1995). Part of the plan was to build and maintain a Portuguese militarized

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22 The author refers the Portuguese Constitution of 1822, following the French invasion and the liberal wars of 1820-22.

defence in Macau, which would follow orders from the *Governor*, instead of from the Senate. The Governor acquired veto powers over the Senate's decisions and annexed the *Procurada* to his office in the attempt to escape the Mandarin's influence. Finally, the public finances fell under the Governor's direct superintendence: the Governor's Cabinet, which concentrated political, judicial and military powers.

Tensions mounted between a reformed Portuguese colonial administration and Qing government officials. In the aftermath of the Opium Wars, the Governor appointed to Macau - Ferreira do Amaral, in office between 1844 and 1849 – decided to seize the momentum to declare exclusive sovereignty over Macau against the interests of the defeated Qing, though Portugal had not taken part in the conflict. On Amaral's orders, the Mandarin and his officials were expelled, the Chinese Customs Houses were destroyed and Macau was declared a free-port (cf. Wu 1999: 181-205). Ferreira do Amaral was the first Governor to refuse to pay the annual land lease, and stationed permanent garrisons not only at the Gate, but also on Lapa and Montanha Islands, which would be claimed back by China with the treaty of 1887. The final blow came when he dissolved the Senate, accusing it of political submissiveness towards the Chinese authorities, shortly before he was assassinated by a local Chinese baker in 1849 (cf. Pereira 1995: 34-36, Wu 1999: 205).

Apart from the assassination of Amaral, the Chinese authorities did not retaliate against the new measures. The sovereignty question seemed to matter far more to Portugal because the Portuguese did not want to lose face on the European stage and wanted to impress other Western powers with claims or interests in China. The British, on the other hand, were interested in avoiding and suppressing all opium trade outside their monopoly, preferably with the support from Macau's authorities. The proclamation of Macau as free port – between the Opium Wars – in practice meant that, instead of paying taxes to the Chinese Customs Post, all trade in Macau paid taxes to the British-controlled Chinese Imperial Maritime Customs, which in 1865 operated a local branch in the territory employing around 800 people (Gunn 1996: 66). For different reasons, Portuguese colonizers and the local Chinese traders were not pleased with this situation, since they faced losses in trade revenues as the British wanted to monopolize all trade with China. Meanwhile, within the war context, the trade relations between Macau and the Mainland had declined, and the unilateral declaration of sovereignty did not contribute to improve the already fragile economic situation in Macau. These factors combined led to a slight shift in the Macau governor's policy. In the face of growing economic disadvantage *vis-à-vis* Hong Kong, the Governor sought to re-open diplomatic channels with the Qing to negotiate bilaterally over Macau's trade situation.<sup>23</sup>

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23 Isidoro de Guimarães, through the never ratified treaty of commerce of 1862 (cf. Pereira 1995).

In 1887, the Treaty of Friendship and Trade – the Beijing Treaty – was ratified, in which China indeed recognized Portuguese perpetual administration of Macau and the delimitation of its borders. Since then, all Portuguese constitutions have treated the Macau question with the Treaty of Beijing as the legal base.<sup>24</sup> The Beijing Treaty committed Portugal to not ‘alienate’ or leave Macau without China’s previous consent or negotiations. The Chinese in turn required a special convention regulating opium trade between Macau and China, noting that in return for their perpetual administration of Macau, the Portuguese should co-operate in controlling smuggling networks and in sharing the revenues of the opium trade with the Chinese authorities (Wu 1999: 229). This meant that from then onwards, there were attempts by the Qing authorities to re-introduce a Chinese customs post, which was promptly rejected by the British. The Hong Kong British at the time invoked frequently Ferreira do Amaral as a ‘national hero who had succeeded in expelling once and for all the Chinese *hoppo* (or Customs house).’ Accepting the Chinese proposal would be ‘to cast an insult to the memory of a hero for free trade principles (...)’ (Gunn 1996: 68). Macau’s struggle for political and economic survival in face of growing British Imperialism mainly affected the Portuguese colonial government, which was constantly under pressure either from the British or from the Qing authorities.<sup>25</sup>

Meanwhile, as the Portuguese colonial government became more isolated from Chinese authorities, but more dependent on the Hong Kong British, there was a sudden increase in migration flows from China into Macau. The population grew exponentially in Macau and Hong Kong especially during the Taiping Rebellion (1860s) and the Boxer Rebellion (1900s). In China, the growing resentment towards foreigners, especially Europeans, and towards those who traded with them, reached a peak during these rebellions. Southern Chinese merchants and officials alike were the usual suspects for conspiring against the Qing. Pushed out by political and economic turmoil, many Chinese traders and entrepreneurs enlarged the flow of Chinese migrants into the colonies of Macau and Hong Kong, either as

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24 The Portuguese would only brush aside this treaty in the 1986 negotiations for the reversion of sovereignty. China, on the other hand, has kept its own interpretation about the status of Macau, which notably prevailed in 1971 when, while acceding to the UN, China managed to ensure that Macau, Hong Kong and Taiwan could never join the organization independently. Just as a curiosity, the statue of Ferreira do Amaral in Macau was, on Chinese insistence, removed from its location in 1993.

25 Despite the unilateral affirmation of sovereignty over Macau, the Portuguese governor still maintained some communication channels with the Qing, albeit unofficially, using one of Macau’s Chinese temples to send one of his trusted representatives to meet the Chinese Mandarin (Documentary by João Guedes, Macau, 2003-04).

stop-over to other destinations or as a permanent base to settle. The Chinese population of Macau increased substantially, bringing with it a new wave of wealthy entrepreneurs – a cultural and economic elite from the southern regions, notable for its political resistance to the Qing rulers. The wealth and social influence of these Chinese businessmen and intellectuals, and their organizational capacity, according to ethnic, family and clan ties and to business sectors and activities, generated what Gunn calls the ‘first wave of modern Chinese capitalists in Macau’ (1996: 79).

### **2.3. The development of Chinese businesses and organizations in colonial Macau (1800s – 1940s)**

Since its early days, Macau had been an attractive destination for both merchants and manual workers from China. The local Chinese community was divided in two main groups: a few wealthy merchants – mostly tea and silk traders – and a large group of low and semi-skilled workers like fishermen, coolies, bricklayers, carpenters and silk artisans and craftsmen (Gunn 1996: 80-88). When Macau’s importance as a European port in Far-Eastern trading routes declined – especially with the British colonisation of Hong Kong – Chinese merchants who were established in Macau started gaining a leading economic role. This was because of their trading links to the Mainland and also because they brought low-skilled workers from across the border.

The history of Macau’s Chinese entrepreneurship tells a story of capitalist development, which originated in China during the early Qing period, when the role of regional Chinese merchant networks was preponderant in the organization of commerce (Hamilton and Chang 2003).<sup>26</sup> From the mid-nineteenth century up until the transition, the Macau Chinese business elites were the main architects in the development of state-business relations. They have been key players in this evolution because, not only have they infused the territory with economic dynamism, but they also came to play a crucial role in later political developments affecting both Portuguese and Chinese interests in the territory.

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26 These authors argue that there are significant parallels between the organization of the late Chinese imperial economy and the organization of a modern capitalist economy in China. These parallels are understood as having emerged from similar structural conditions confronted by Chinese entrepreneurship, such as centralized authority structures and localized relations between the entrepreneurs and local bureaucrats (Hamilton and Chang 2003: 176).

### 2.3.1. Colonial Economy and the development of Chinese businesses

In the first half of the nineteenth century, Macau's decline in commercial importance *vis-à-vis* Hong Kong turned it into a transshipment harbour for British trade, with links to an underground economy made up of opium, prostitution and coolie trading networks.<sup>27</sup> In spite of the increasing British control over the opium trade between India into China, Macau was still a main re-export centre for Indian opium from the Portuguese territories of Goa and Damao. Either directly from these territories or via Hong Kong, the amount of opium that passed through Macau in the first half of the nineteenth century provided the principal source of the territory's revenue (Gomes Dias 2004: 41).

The loss of the exclusive *entrepôt* role was not damaging for Macau's Chinese traders, quite on the contrary; in the context of war and political conflict between China and Western powers, Macau's trading houses, previously included in Guangzhou's trading system, dealt now independently in the territory. Against the tense political climate between the Macau government and the Chinese Empire (see previous section), Chinese merchants flourished in regional trade activities such as the lucrative re-export of opium and sandalwood into China. They also gained a decisive role in local trade, by supplying rice and basic foodstuffs to an isolated and increasingly dependent Macau.<sup>28</sup>

In the second half of the nineteenth century, the fusion of industrial concepts from the West with the Chinese manufacturing tradition created new social and economic conditions in cities where Western influence was strong, like Shanghai, Guangzhou, and of course Macau and Hong Kong. It was in places like this that a Chinese proto-industrial class emerged, abundant in capital and in trading skills. As the old industries of silk and tea met new social and economic conditions, Macau's old and new Chinese entrepreneurs were pushed to expand into areas in which up

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27 Even if short-lived, the coolie trade was an important branch of Macau's economic activities until the 1870s. Reaching its peak around 1850, the coolie trade consisted in the transport of Chinese labourers to North, Central and Latin America. The coolie brokers were usually local Macanese or Portuguese small entrepreneurs, but who were part of an international network controlled by a multinational shipping armada composed of English, Spanish, French, Peruvian and Dutch (Gunn 1996: 73). The coolie trade is one of the first cases in which the colonial government actively intervened, increasing control through medical checks and introducing a licensing system for coolie recruiting agents. Public condemnation of these trade activities was followed by the Governor's prohibition in 1874, since this trade brought no real prosperity to the territory, besides being morally offensive.

28 The development of communications and transportation infrastructure in Macau, with the support of British capital, was one effect of Macau's growing economic reliance on Hong Kong during this period (cf. Gunn 1996 and Wu 1999).

until then they had only traded (Cremer *et al.* 1991). Tea and silk entrepreneurs from Guangzhou and Shanghai had a long experience in dealing and trading with West-erners; those who settled in Hong Kong and Macau would later establish the first manufacturing ventures in these territories, processing tea and producing firecrackers and incense for export markets. The development of small-scale manufactures was dependent on international trade links, but at the local level, they stimulated a constant inflow of workers coming from the Mainland. All these conditions constituted the base of Macau's early export-led proto-industrialization, in which the existence of cheap labour and a minimum industrial infrastructure would enable diversification towards the production of a wide range of textile and garment goods, one hundred years later.

The tea processing, silk and fireworks industries became very important for Macau because they generated employment to an expanding population. At the turn of the nineteenth to the twentieth-century, the majority of Macau's labour force was constituted either of boat people (fishermen and their families), coolies or low skilled manufacturers and semi-skilled craftsmen (Gunn 1996: 88). Excluding fishermen and coolies, local labour was organized around commercial guilds, along traditional 'employer-worker' ways of dealing, and attempts of labour organization were virtually non-existent in Macau during this period.<sup>29</sup> Around 1900, Macau counted some fifteen factories exclusively set up with Chinese capital, processing tea and silk for European markets (Gunn 1996: 93). There was no involvement of Portuguese ships or merchants in the trade of these products, or any participation in the financing and production processes of these local small-scale industrial ventures, except a registration and licensing system for the establishment of those manufactures within the city's limits (Gunn 1996: 95). The largest share of the tea and silk trade was retained in Hong Kong from where processed products were exported to the world.

### **2.3.2. Early Commercial Associations**

In the mid nineteenth-century, the existence of a local and wealthy Chinese entrepreneurial class was identifiable through the existence of forty commercial associations registered in Macau, many of them with branches in other parts of China, and also in Siam, Singapore and the Malay Peninsula (Gunn 1996: 84). These commercial

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29 Later reinforced with the transplantation of Estado Novo policies applied in Portugal after 1933, which expeditiously tried to suppress any form of labour unionization in all colonies, including Macau.

associations brought together the old trading houses (*casas comerciais*), local manufacture owners and shopkeepers. The owners of the trading houses, most of them with origins in Guangdong province and most of them resident in Guangzhou, formed the core of these associations. They likewise much resembled the *Cohong* system in which the wealthier merchants, representing some or all business branches and sectors of retail shops, formed the board of the associations. Since the manufacturing sector was still very small, the few existing manufactures were usually property of the larger trading houses. The workers were organized around specialized guilds of shipbuilders and carpenters, and those involved in the processing of tea and tobacco, incense and firecrackers were incorporated in the respective trading houses.

Chinese commercial groups in Macau had reproduced trading patterns that had existed for long in Guangzhou, but it was in the period between 1850s and the 1910s that the traditional guilds and trading houses were modernized and infused with political motivation. They gradually converged into broader institutions, which resembling the *Cohong*, controlled local businesses and facilitated means of social organization under the colonial system. The establishment of Chinese entrepreneurs in nineteenth-century Macau and their organizational capacity expressed through the creation of several associations – of pawnbrokers, bankers and silk and tea merchants, all dully registered by 1909 – re-shaped commercial relations between China and Macau. Traders and wealthy entrepreneurs became more organized through local associations, and gradually acquired social and political influence in the territory, based on the success of their trade activities with the Mainland.<sup>30</sup>

These business associations maintained political connections not only with Macau's colonial government but also with successive Chinese governments – from the Chinese revolution of 1911 to the proclamation of the People's Republic of China (PRC) in 1949. After the Chinese Revolution in 1911, some of Macau's most influential Chinese organizations were established: the Macau Commercial Association (also known as Macau Chamber of Commerce) in 1912, the Tong Sin Tong Mutual Assistance Association in 1916 and the Kiang Wu Chinese Hospital Association in 1918.<sup>31</sup> Throughout times of war and political convulsion in the Mainland, these associations rapidly became important platforms of social and economic mobilization in Macau. They were constituted by elite Chinese businessmen who shared goals of occupying social and economic areas left unattended by the colonial administration. The Kiang Wu Hospital Association and the Tong Sin Tong

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30 One important aspect in the development of this Chinese comprador capitalism, was the lack of an equally organized labour force, which because of Macau's incipient industry, would only take shape much later in the 1970s and 1980s. This is discussed in more detail in Chapter 6.v

31 The Hospital itself had been established in 1871.

Association, funded by Chinese private entrepreneurs, were (and still are) the main charity associations providing social assistance to Macau's Chinese population. An ex-government official in Macau described these welfare networks as typical Chinese traits, in his own words, 'rich Chinese who do not make charity, do not deserve respect.'<sup>32</sup>

### **2.3.3. Growing influence of Chinese business elites over the colonial administration in the interwar period (1911-1949)**

In Macau, local Chinese elites gained considerable ascendancy in the years immediately before and after the Chinese Revolution of 1911. Their political motivations were far from incipient and from that point onwards, local business organizations would have an important role to play in local and regional political developments by gathering support and channelling funds into Chinese political movements – before 1911 to overthrow the Qing, and later to expel the Japanese during the 1931-1945 occupation.

Before the 1911 Revolution, which overthrew imperial rule in China, Macau had been a safe haven for businessmen, rich entrepreneurs, political activists and intellectuals, who took advantage of Macau's colonial situation to 'conspire' against Qing rule or to simply maintain and expand business activities.<sup>33</sup> The population of Macau was growing and new ways of organizing emerged out of this particular colonial safe-haven context. Triad-supported organizations such as sports and martial arts associations had existed for a long time gathering all quadrants of the anti-Qing, pro-Ming resistance (Gunn 1996: 69). However, they gained a new impetus with the pro-Sun Yat Sen movements, which found their way not only into several secret societies but also into local commercial associations and workers' guilds (Guedes 1991: 77-83).

Meanwhile, on the other side of the globe, Portugal was experiencing its own republican revolution, leading to the fall of the monarchy in 1910. In the 1911 Portuguese constitution, Macau was referred to as a 'Portuguese province, whose status is in conformity to the 1887 Treaty' (Pereira 1995: 55). The Portuguese promptly

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32 Interview with Garcia Leandro, Lisboa, April 2003.

33 Among these political refugees was Sun Yat Sen, who would become the first Chinese President in 1911. After a failed attempt to seize Guangzhou, he escaped to Macau in 1895. Until the Republican revolution, he was active in gathering political and financial support for the overthrowing of the Qing emperor, while working as doctor (being one of the founding members) in Macau's Kiang Wu Hospital.

did not encounter any strong or organized opposition threatening Macau's colonial status, although the validity of the 1887 treaty had been questioned in Guangzhou's political circles (Wu 1999: 286). Despite their colonial status, Macau and Hong Kong had been important centers in gathering political support and financial means to overthrow the Qing. Both the British and the Portuguese feared that the treaties would be abolished by the Chinese republican government. However, the siding of the Portuguese administration with the Chinese progressive forces gave them some credit in the first years of Sun Yat Sen's Republic, who was personally grateful to the Macau Government for having refused to hand him to the Qing authorities back in 1896 (Wu 1999: 284).

The republican government of Sun Yat Sen soon became the stage of domestic political and ideological struggle and in 1924, during the first congress of the Chinese Nationalist Party (the *Guomindang*) a campaign was launched to abolish the unequal treaties with European powers and to reclaim all foreign territorial rights in China (Pereira 1995: 57). Despite the radicalization of Chinese political and ideological discourses, in 1928, Portugal and China ratified in Nanjing a new treaty of friendship and commerce, which contained no explicit reference on the question of sovereignty over Macau, but which imposed new tariff regimes on commercial exchanges between Macau and China (Pereira 1995: 57). The treaty entailed mutual recognition between the two states and their respective (nationalist) governments but it was short lived, due to the Japanese invasion of China and the following civil conflict that would break out between nationalists and communists.

After the 1926 military *coup* which installed a dictatorship under Antonio Salazar<sup>34</sup>, the Portuguese government renewed efforts to consolidate its presence by increasing political and social control methods in all colonies, including Macau. In 1930, the implementation of the Portuguese Colonial Act resulted from the restructuring of Portuguese foreign policy regarding its colonies. It considered Macau an integral part of the Portuguese Colonial Empire, and thus subject to the same politi-

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34 António de Oliveira Salazar (1889-1969), Professor of Economics at the University of Coimbra, was appointed Minister of Finance of the Portuguese Government, after the *coup d'état* by the military in 1926. He was offered the premiership (President of the Council of Ministers) in 1932 and held it for thirty-six years, becoming the dictator of Portugal. Salazar was probably the only European dictator who came to power, not by means of military struggle or popular acceptance, but by invitation. He created the 'Estado Novo', through the constitution of 1933, inspired by the Italian corporatist model; reasserted the status of the colonies as Portuguese overseas provinces and re-organized Portuguese society along conservative, corporatist and colonialist lines. He withdrew from the premiership in 1968 due to illness and died less than a year after abandoning office, entrusted to his chosen successor, Marcello Caetano.

co-administrative structures supervising all Portuguese provinces. It also stipulated that the rights and interests of the metropolitan regime should be taken into account first in the elaboration of the territory's economic schemes (Pereira 1995: 54-55). In 1933, the Portuguese government in Macau started an annual survey (yearbook) which identified and assessed leading commercial and industrial associations and individuals from the Chinese business elites, in order to "better verify the relations between the Chinese community and the authorities" (Gunn 1996: 99). Though the Portuguese sought this way to consolidate authority and social control in Macau, Salazar's speeches had a note of caution when mentioning the Macau question. In order to remain there, it was still vital to co-operate with China, regardless of its political regime:

(...) this province has known periods of prosperity and decadence [and] as it cannot expand, it suffers from natural limitations. The existence of Macau is based on old treaties celebrated between the Portuguese kings and the Chinese emperors (...) that keep their value – as it has been proved by successive changes of political regimes. (...) If we don't respect the legality of these treaties, it would be sure that Macau, in spite of our resistance, would end up being absorbed into China, on which this province entirely depends for its daily existence. And the Western world would be poorer!<sup>35</sup>

The Japanese invasion of China, initiated in 1931 with the Manchukuo incident, and subsequent military expansion into Southeast Asia (including the invasion of Hong Kong in 1941) complicated the already precarious situation in Macau. The territory's neutrality was respected up to a certain point: although not effectively occupied, the Japanese maintained a delegation in Macau, which imposed considerable demands upon the Portuguese colonial government.<sup>36</sup> They wanted to obtain several economic concessions, from fishing rights to infrastructure development, and military control on all trade into China, which was obviously an alarming situation for the local Chinese entrepreneurs and also for the British in Hong Kong. The Chinese community feared and loathed the growing Japanese influence in Macau and despite the invaders' presence it gave financial and political support to Chinese resistance movements against the Japanese.<sup>37</sup> Surrounded by Japanese-held terri-

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35 Salazar, Discurso sobre o Ultramar na Assembleia Nacional, June 1961, in Pereira (1995: 57), m.t..

36 Macau's neutral status was an extension of Portugal's neutral position in the European conflict.

37 "Macau during the Sino-Japanese War", Macau Museum, exhibition held between 11 August

tory, Macau remained a refugee island for most of the period corresponding to the Second World War. The city was overcrowded with Chinese refugees, and the local associations used their financial means and influence to help the refugees and to raise funds for the national resistance movement.<sup>38</sup>

The war context and the trade blockades provoked food shortages, escalating prices and restrictions to the consumption of water and electricity. With the guerrilla fighting in Guangdong (first against the Japanese and then during the civil war), the Portuguese government had also to engage in economic transactions with all Chinese belligerent parties to maintain shipping services and food supplies into the territory. This would be possible only with the cooperation of influential members within the Macau Chinese community. Stanley Ho, Macau's most famous business tycoon, and himself a refugee from Hong Kong, describes the situation at the time: "I was in charge of a barter system helping Macau's government to introduce machinery and equipment into China in exchange for rice, beans and sugar (...) I was a semi-government official then; I was the middleman (...) and on occasions I would offer the Chinese resistance several bottles of prized Portuguese wine, on behalf of the Macau government."<sup>39</sup>

After a period of relative unity and solidarity in the struggle against the Japanese, the outbreak of the civil war in China provoked a political rift in Macau's Chinese community between those sympathetic to Mao Zedong and those sympathetic to the Guomindang forces. The colonial situation of Macau and its 'laissez-faire' policies in practice enabled the use of the territory as a base for trafficking weapons, ammunition and other similar equipment into China. With a common goal of survival, both the colonial government and local businessmen had to engage in some sort of compromise, despite the political antagonism between Portugal and China after the victory of the communist forces in 1949.

### **2.3.4. The Macau Chinese Commercial Association**

The history of the Macau Commercial Association illustrates why and how the Macau associations built political relationships with both the colonial government and

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to 20 October, 2001).

38 Since 1937, many schools moved from occupied places to Macau, bringing their elite teachers, and providing new spaces to disseminate new ideas and ideologies. Within the local anti-Japanese movements, scholar circles from Guangzhou, Hong Kong or Zhongshan brought their power into play, sponsoring many charitable works and forming new associations.

39 Stanley Ho, in interview to *Financial Times*, in Gunn (1996: 98).

Mainland China. Under an ambiguous situation – between an increasingly anachronistic colonialism and an emergent local form of capitalism – this organization laid the institutional basis of Macau’s state business relations. From the early 1900’s onwards, the particular political and economic context of Macau began to take shape according to the relationship maintained between the local Chinese entrepreneurs and political forces in the Mainland, in spite of (and because of) Macau’s colonial situation.

The Macau Commercial Association (MCA)<sup>40</sup> is more than an economic, business-oriented association reflecting a wide variety of economic interests; it is a socio-political organization as well, with a long history (almost 100 years) in playing the ‘middlemen’ between Chinese authorities in the Mainland and the Portuguese colonial government. Since its inception in 1912, the MCA was a nest of Chinese politics in Macau, using business interests as the galvanizing force in political and social mobilization.

In 1911, in view of the fact that there were increasingly more Chinese businessmen in Macau, Chui Ying Chau, together with other entrepreneurs, organized a local chamber of commerce. In 1912, the registration of the Macau Chamber of Commerce was duly approved by the Portuguese administration and, still in the same year, it was registered by the Chinese Government Department of Industry and Commerce, under the name of Macau Overseas Chinese General Chamber of Commerce.<sup>41</sup> In 1948, and because MCA membership had grown substantially during World War II, the Chamber started a system of board of directors and supervisors, with Chui elected chairman and Ho Yin as vice-chairman. Born in Guangdong Province in 1908, Ho Yin had started his career in Guangzhou in the currency exchange business, and fleeing the Japanese occupation, he arrived in Macau in the late 1930s. He made a fortune trading gold during the Japanese occupation, and established the first Macau Chinese Bank – the Tai Fung Bank. Initially affiliated with the Guomindang party, when he became the first chairman of the MCA in 1950, he initiated a gradual approach to the recently established communist government in Beijing.

Ho Yin maintained consistent and continuous political influence over more than ten Portuguese Governors, regardless of what the situation was in Portugal or China, and despite the lack of political and diplomatic relations between the two countries. He was the virtual leader of the Macau Chinese, at least for the Portuguese colonial government, in which he was invited to have a seat in the Governor’s Council

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40 Referred to in English literature also as Macau Chinese Chamber of Commerce or Macau Chamber of Commerce. In Portuguese, Associação Comercial de Macau.

41 ‘The History of the Macau Chinese Chamber of Commerce’ (<http://www.acm.org.mo>)

in 1952. Later, as member and president of the Macau Legislative Assembly, Ho Yin's position evolved from 'influential party to be consulted' to 'the uncontested Chinese counsellor of the successive governors of Macau.'<sup>42</sup> Considered a 'great friend of the Portuguese, a person for whom honour mattered more than money,'<sup>43</sup> whenever there would be an economic or political crisis, Ho Yin would be immediately called to intervene, either through his good advice or in the form of financial contributions. Under Ho Yin's leadership, the MCA also engaged in the creation of solidarity/'patriotic' links with the PRC, despite the colonial status of Macau and despite the Portuguese anti-communist ideology under Salazar.

Unlike Ho Yin, the MCA's vice-chairman Ma Man Kei has never fulfilled any official position in the Government of Macau. Both were originally from Guangzhou, Ho Yin in the banking business and Ma Man Kei in the rice trade. During the Japanese occupation, Ma Man Kei began his contacts with the Chinese Communist Party, in which he became a member in 1950, unlike Ho Yin who was never affiliated to the CCP (Castanheira 1999: 42-44). Instead Ho Yin managed to conquer political trust from Beijing's authorities who considered him one of the few Chinese 'patriotic capitalists' (Castanheira 1999: 42). According to his secretary Roque Choi, he had access to all major political leaders in Beijing despite being a capitalist and not being a member of the Party. The story goes that when Ho Yin went to China, he never wore his Western clothes but instead dressed in revolutionary attire.<sup>44</sup>

After Ho Yin's death in 1983, Ma Man Kei succeeded him as Chairman of the MCA, a position which he still holds today, despite approaching ninety years of age. Ma Man Kei has many business interests, properties and enterprises in the Chinese Mainland: in the 1980s and 1990s he expanded several enterprises from Guangdong into Sichuan and Inner Mongolia Provinces. In 1978 he became a member of the PRC's Political Consultative Council and chairman of the National Committee of the People's National Assembly. He is said to have 'contributed to the closer co-operation between China and Macau'<sup>45</sup>. Together with Ma Man Kei as vice-chairman, Ho Yin represents a generation of successful refugee-entrepreneurs who, in Macau, became not only the leaders of the local Chinese community in Macau but also key players in sustaining complex political and economic relations

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42 Interview with Garcia Leandro, Lisbon, April 2003.

43 Interview with Garcia Leandro, Lisbon, April 2003.

44 Testimony of Pe. Manuel Teixeira (Lima and Torres 2004: 83-91).

45 Ma Man Kei, in a rare interview given to *Jornal a Tribuna de Macau*, February 2002, on the occasion of his decoration by the MSAR Chief Executive, praised the great invention of Deng Xiaoping – the one country, two systems approach – as the most realistic way to resolve a 'historical problem' and to continue the good work so far.

between the local socio-economic interests, the colonial government and the successive Mainland governments. Their business and political trajectories reveal that through them, Macau developed into what it is today.

With such influential chairmen in the last 50-60 years, the MCA has built and solidified its institutional weight and social influence inside and outside Macau. The MCA reflects the stability of Macau's Chinese elites, especially the generation which has taken up the lead from 1949 until the present day. The relationship between these individuals and the PRC's government has been a determinant factor of the MCA's political influence, which throughout the years provided an informal base in Macau for the application of political and economic interests of local Chinese businessmen in relation to the Mainland and vice-versa. This is illustrated by the fact that these MCA members were at the same time entrepreneurs, social leaders, members or advisors to the government of Macau<sup>46</sup>, and members of the PRC's national institutions. The MCA thus occupied a central role in the development of local state business relations during the last stages of Portuguese colonialism. This trend continued and grew stronger during Macau's de-colonization process – this time not towards the maintenance of the colonial status but towards political re-unification with the Chinese mainland.

## 2.4. Conclusion

Macau's early political and economic institutions were shaped by a flexible pattern of economic and political relations between the Chinese and the Europeans. The negotiated character of colonial rule in Macau produced a successful entrepot-trade economy from the mid-1550's to the 1800's, but also reflected an ambiguous political situation in which Portugal considered Macau one of its colonial territories, while China considered it a tributary province. The words of Perdue capture the essence of Macau's historical trajectory, both as a European colony and as a Chinese enclave; as a space where 'interaction and paradox characterized the encounter of China with the West and the mutual opportunism of this semi-colonial encounter' (Perdue 2003: 57).

The reasons for Macau's continued existence under a negotiated, semi-colonial model lie in the economic and political interests of those who, formally or in-

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46 By convention, since 1976, the leader of the MCA must have a seat in the Macau Legislative Assembly.

formally, ruled the territory. Western (Portuguese) colonialism had to adapt to Confucian traditions in handling political and economic relations, and vice-versa. The active engagement of Chinese imperial bureaucrats to intervene in Macau's affairs, on a par with the Portuguese colonizers, meant that political and economic claims over the territory were split between the two. The Portuguese managed to carve out their colonial institutions, irreversibly changing the political economy of the peninsula and its relation to the surrounding region. However, the obligation to pay tribute to the Chinese Emperor and his government and the existence of a local Chinese customs post differentiated Macau from the other Portuguese colonies. Portuguese early colonialism in Macau is thus best understood as the product of a negotiation, in which the right to settle in Macau was given to the Portuguese along the Chinese tributary system codes and practices. Though the degree of political autonomy of Macau's institutions did not entirely conform to the imperial administrative system, it served well the interests of local Chinese bureaucrats who continuously profited from the political ambiguities of the situation, ensuring additional revenues by way of negotiating with foreigners. The practical result of this unusual situation was a system of coexistence, a cohabitation contract in which in spite of occasional tensions and conflicts, the local interaction between Portuguese traders and Chinese Mandarins kept property intact and the business running.

All this changed dramatically with the Opium Wars between Britain and China, a push factor for the Portuguese to unilaterally assert their sovereign rights over Macau, which up until then had been only wishful thinking. The impact of the Opium Wars and of Britain's rising interests and presence all over the region pressured Portugal to adopt a full-blown colonial approach to Macau, a shift characterized by the expulsion of the Chinese authorities, the rebuilding of Macau's militarized defence and the refusal to pay the land lease. With these measures, Macau was definitively detached from the Chinese tributary system in 1849. The period ranging from the 1840's to the 1940's brought the consolidation of the Portuguese colonial system without direct political intervention from China, but it also corresponded to an economic decline and growing economic dependence towards the British colony of Hong Kong.

From this context, a Chinese economic elite gradually emerged as an organized social and political force in Macau. The organizational power of Macau's entrepreneurship during the first half of the twentieth-century became a crucial factor for the maintenance of the territory's colonial status, despite successive revolutions and wars in China and an overall tense and precarious political climate provoked by the fall of the empire in 1911, the Japanese invasion of 1932-1945, and the Chinese civil war of 1945-49. The emergence of organized Chinese businesses, out of Macau's colonial situation and of China's explosive struggles and revolutions, produced a very important institutional pattern: the development of local business as-

sociations – from which the MCA is the first and foremost example. The creation of these types of organization in Macau resulted from a specific conjuncture of historical events, in which local colonial patterns were propitious for these organizations to flourish. They spread and reproduced around different types of interests, and gradually local business organizations became the institutional bases for the maintenance of colonialism itself (for 50 more years after 1949) and for handling all political and economic transactions between Macau and the Mainland. The MCA's leaders in particular – previously economic and political refugees – managed to build a political career from the success of their business careers. They gradually filled the political vacuum left by the old local mandarins by developing connections with the Portuguese colonizers and with successive (and rival) Mainland governments. But the situation was very different from the one back in the sixteenth and seventeenth centuries; instead of networks of Portuguese and Chinese traders under the influence and control Guangzhou's Cohong, from the late 1800's onwards the Macau Chinese businessmen controlled all transactions with the Mainland. They gradually replaced the Cohong system in assuring trade between Macau and the Mainland, and provided the communication channels between an increasingly isolated colonial administration and the Mainland authorities. Since the late nineteenth century, Chinese entrepreneurs have controlled most of the capital and production means available in Macau, despite being prevented from formally participating in the local political system. Through their business organizations and associations, they have created and shaped institutions connecting state and business actors in Macau, which have been consistently present throughout Macau's following historical period: its de-colonization process, lasting more than three decades.