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

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CHAPTER 1. 
Understanding China’s response to globalisation: 
The emergence of region-specific state-business networks and modern capitalism in Macau

1.1. Introduction

In the last two to three decades we have witnessed a ‘time-space’ compression, produced by new developments in transport, communication and information technologies, which have deeply transformed the political, economic and social relations connecting distant geographic areas and different social spaces. This world-wide transformation is commonly designated globalisation and it has become a buzzword in academia, policy-making and media circles alike. Technological developments have an independent impact in the social and political world, and in the last decades technology has transformed societies and economies across the world. However, this ‘time-space’ compression of the last two decades is not a totally new phenomenon. As eloquently put by Sheppard, ‘James Cook’s 19-month voyage to Hawaii in 1778 might seem desperately slow by contemporary standards, but it in fact connected two places that until that moment had developed in separate social universes’ (Sheppard 2002: 307).

The historical contextualization of the current time-space compression is an important factor to take into account, when trying to understand in what ways globalisation transforms individuals, societies, countries and regions. Globalisation has intensified economic, political and social relations around the globe, producing a ‘postgeographic world of cyberspace’ (Sheppard 2002: 319). From a technological point of view, globalisation may well have eliminated space, but from a socio-
political point of view, it has by no means undermined the significance of location (Martin 1999: 16). This claim is in line with Appadurai’s ‘plea’ that research on contemporary globalisation requires a thorough understanding of the ‘increasing significance of locations in global economic, political and social processes: ‘(…) If it is true that globalization is producing new geographies – of sovereignty, ideology, capital and statehood – then critical research on globalization requires area studies more than ever’ (Appadurai 2000: 14). The use of the ‘local’ to explain the ‘global’ assumes that locations – understood as sub or trans-national areas – do not cease to be relevant geographical spaces. On the contrary, to understand the points of contact between local and global processes – the ‘local-global’ nexus – it is necessary to think of globalisation as a concept that helps re-think human and natural geography, in order to explain how changes in any one territorial unit are affected by changes at other geographic scales (Sheppard 2002: 313). This is especially relevant for this thesis, which uses one specific location – Macau – to explain the influence of certain processes occurring at the global, regional and national (in this case China) levels.

This is just one way of thinking about globalisation because the debate still goes on about what globalisation actually is and what are its consequences for societies, economies and political systems. Globalisation has become a ‘container concept’ to explain all kinds of transformations occurring in the social and natural world. Two opposite arguments can be distinguished within the globalisation debate. The first is the claim that globalisation brings convergence meaning that the differences among societies, economies and political systems are fading and that, in the end, countries and regions will all have more or less similar political and economic characteristics (cf. Fukuyama 1992, Shaw 1994, 1997, Ohmae 1995, Sklair 2002). For example, Sklair defines globalisation as one dominant political and economic system, structured around transnational corporations, a transnational capitalist class and a culture-ideology of consumerism (Sklair 2002: 1). From this perspective, it is plausible to argue that differences are disappearing because nation-states are adopting similar trade policies, or because they develop similar politico-economic systems like western-style market capitalism, or because they respond in similar ways to outside cultures and ideologies. These are more or less observable facts, but for convergence theorists, they are explained or predicted by universalistic models that usually assume fixed conditions and a-historical factors. In the convergence argument, globalisation suggests the existence of an inescapable and universal political and economic system, lead by ‘globalizing forces’ like the spread of mass media and the corporations that own or control them, transnational corporations – the overwhelming majority of which has its headquarters in Western countries, and the spread of political and economic movements that advocate global environmental responsibility, human rights and democracy as prescriptions and obligations for all countries and societies (cf. Sklair 2002).
The second claim is that global processes produce different effects in different continents, countries, regions and localities because they are always shaped by specific social and natural characteristics of each (cf. Agnew and Corbridge 1995, Appadurai 2000, Drainville 2004). In this line of argument, new convergences – the idea that every nation and region usually wants to participate in the global economy – lead to new divergences, like different types of capitalism, different ideologies and value-systems and different political systems. These divergences are usually explained by more particularistic models that assume contextual, cultural and historical variation of modern societies, economies and political regimes.

The rise of East and Southeast Asia in the global economy has been at the centre of the convergence-divergence debate on causes and effects of globalisation processes. The convergence argument has explained East and Southeast Asian economic success as an example on how global factors – for example market structures, consumer behaviour and low-cost advantages – have universal and independent impact on East Asian states and societies, regardless of their political and social differences (cf. World Bank 1993, Ohmae 1995, Woo-Cumings 1997, Haggard and Cheng 1987). By contrast, divergence arguments explain economic success across East and Southeast Asia in the light of the ‘varieties of capitalism’ debate. Approaches focusing on the social, political and cultural particularities of this region usually attempt to explain what is different about Asia’s capitalism vis-à-vis the West (cf. Hamilton 1996, Smart 1997, Yao 1997, Ling 1996, Ling 2002). These approaches seek to identify the vital characteristics that lend evidence to the existence of an “Asian”, “Chinese” or “Japanese” type of capitalism.

The case of China, specifically its last two decades of deep economic and social transformation, constitutes a fascinating example in this respect. Understanding China constitutes not only a challenge to theory (Brook and Blue 1999: 4), but also a unique opportunity to either develop or combine theories, into an explanation of modern capitalism which is sensitive to both macro and micro level processes, in order to find out whether a typically ‘Chinese’ or ‘East Asian’ type of capitalism does exist. The argument that there is one single and unique form of capitalism happening in China acknowledges divergence within the East and Southeast Asian region. However, the divergence approach should perhaps be radicalized in the case of China, by also recognizing regional differences among Chinese business communities within different nations and within the same nation, which might lead to not only one, but many types of Chinese capitalisms. This research operates within this last line of argument, and asks to what extent Macau’s state and business

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1 For a more general discussion on this point see e.g. Hall and Soskice 2001, Beeson 2002, Crouch 2005.
patterns are unique within China, and in relation to other similar Chinese regions outside China proper – Singapore, Hong Kong and Taiwan. In a context of transition from colonial to post-colonial territory, the emergence of a particular political and economic system in Macau reflects the flexibility and diversity of state-guided capitalism in China, which might lead not to one, but to several forms of capitalist development co-existing in China in the current globalisation era.

In this chapter, I will first discuss how the convergence and divergence arguments have explained globalization and capitalist development in East Asia. Secondly, I will zoom the discussion in on the divergence argument, using China as a paradigmatic case. In the final section of the chapter, I will discuss the concept of state-business relations to explain capitalism in Macau: what are its main patterns and how these shape political and economic outcomes in this region. This will hopefully shed new insights on the theoretical and empirical importance of this concept in understanding the many variants of Chinese capitalism, expressed in the regional diversity of economic development processes across China and within overseas Chinese societies.

1.2. Understanding Asian Capitalism

Globalisation produces different effects in different countries and regions because it is shaped by the specific characteristics of various regions, sub-regions, urban societies and socio-cultural and political systems. Hence, different types of states and different forms of economic and social organization emerge. From this perspective, globalisation has increased the interest in the ‘varieties of capitalism’ debate, especially from scholars engaged in studying development processes in Asia. In this section, I discuss the convergence and the divergence arguments applied in the market, state and institutional approaches to East Asia’s economic development and their contribution to the understanding of political, social and economic patterns across this region.

1.2.1. Convergence Hypotheses

Market approaches to Asian capitalist development usually argue in favour of the convergence thesis. Despite its many variants and goals, the market approach is characterized by universalistic assumptions of economic rationality: economic systems are the aggregated outcomes of production, exchange and consumption of
goods and services and the atomized individual – firm or person – is the crucial economic actor, which should be essentially the same everywhere (cf. Porter 1990, Krugman 1998, Samuelson 2004). From this perspective, industrialization and development processes in countries like Japan, South Korea and Taiwan resulted in an ‘economic miracle’, through which these countries overcame war, devastation, and the Cold war period by ‘having faith’ in the markets, and in the opportunities and competitive advantages engineered by an increasingly integrated global economic system.2

The ‘economic miracle’ view was set to validate Western capitalism as the guiding system to achieve the twin goals of development and democracy, though in East Asia the state structures in question were far from being democratic (Ling 2002: 115-141). As market theories tend to disregard the impact of the socio-cultural context on the hypothesised rational individual (firm or person), they usually regard Asian forms of business organization and forms of state intervention as a product of market imperfections and distortions, despite their obvious economic success (Biggart 1997: 17-18). Against the specific political and economic odds of Asian countries, only a miracle could have produced such astounding economic growth in a relatively short period of time. The inherent Western bias is strongly present in these kinds of theories that have crucially embedded principles of economic rationality with an almost supernatural belief that these principles were simultaneously the means and the goal of economic and social development. When the Asian Financial crisis of 1997/98 shattered the ‘miracle’, Ling (2002) found out that those who had once applauded the East Asian ‘miracle’ now pointed to the top-down nature of Asian states as the real cause of the crisis, breeding complacency, cronyism and corruption(…) [and seeking to] discredit the region’s claim to an alternative capitalism’ (2002 : 115-141).

In contrast to the ‘miracle’ view, in which states and governments seemed to have lost analytical importance in favour of market forces, state-centred arguments – notably in the political science and political economy disciplines – generally claim that East Asian economic success was a concrete effect of national state policies and goals. States, rather than markets, crucially determined any given country

2 The UN World Development Report of 1981 stated that behind the successful industrialization of Japan, South Korea, Taiwan and Singapore was the switch to export-oriented production and the superior economic performance of internationally-oriented, labour-intensive regimes of production (Stein 1995: 36). The ‘miracle’ was reviewed in 1993, when a World Bank Report lauded these countries as examples of liberal market capitalism. Until the Asian Financial Crisis of 1997/98, the claim that convergence was inevitable, even in places like China where Tiananmen had just proven the opposite, gained widespread popularity (and discontent) from academic debates to the pages of The Economist.
or region’s path to development and each country’s response to globalisation, like for example, the pursuit of power and prestige on the world stage and catching up with the rest of the world – or indeed both.

Even before the Asian Financial crisis of 1997/98, scholars interested in ‘bringing the state back in’ in explanations of East Asian economic success were taking seriously the role of the state in these countries’ development policies (cf. Chalmers Johnson 1999, Amsden 1985, Haggard 1990, Woo Cumings 1997). In regarding the developmental trajectories of Japan, Taiwan and South Korea as successful, these scholars drew attention to the state as the crucial force in these societies. Here the state actively intervened in the domestic economy by setting the limits of markets and by disciplining the private sector through policy instruments and allocation of resources, which were imperative conditions for both domestic and foreign investment.

In general – but especially when applied to East and Southeast Asia – developmental state theories constitute a critique to the ‘economic miracle’ perspective by claiming that countries like Japan, South Korea, Taiwan, Singapore and even China share versions of a type of state capable of generating and managing sustained development (c.f. Chalmers Johnson 1999, Haggard 1990, Woo Cumings 1997, Moon and Prasad 1998). They have argued that there is convergence in the ways through which East Asian countries have developed and in the ways they have responded to globalisation. Thus, theories that foresee universal convergence are not analytically limited to pure market dynamics. The lesson from the East Asian capitalist experience is that nation-states - and not markets – have had a crucial role in making globalisation happen. ‘(…) Governments will go along with the form and practice of capitalist globalisation not because they cannot resist it, but because they perceive it to be in their own interests’ (Skair 2002: 6).

Developmental state theories ultimately provide an explanation to the East Asian economic miracle and financial crisis, placing the state as the nexus linking global processes to domestic development. The state’s domestic success thus depends on its capacity to provoke and stimulate growth and competitiveness through a variety of methods. Its global success depends on a more or less selective use of classical economic methods and market principles, which have also served as political tools for these states to ensure political and economic recognition in the global arena.

1.2.2. Divergence Hypothesis: Confucian States and Confucian Capitalism

The shift away from the ‘economic miracle’ perspective implied the return to a more classical political economy in which the uncontested role of the state in economic and social processes was emphasized. At the same time, political economy theo-
ries centered on the state have also highlighted the particularities of the East Asian region, in terms of similarities among its political and socio-cultural systems and among its forms of economic organization. These theoretical models have substantiated claims that, although globalisation was pushing non-Western countries and societies towards one single and increasingly integrated global economic system, the ways through which they responded to global processes were becoming more differentiated.

The Confucian state is one example of divergence hypotheses on the nature and reasons behind East Asian development and economic success. Although to some extent East Asian countries have operated more or less according to economic rationality models and developmental practices associated with Western capitalism, the historical weight of these states in their respective economies and societies has given rise to one distinct cultural and politico-economic identification – Confucian capitalism – and to a distinct type of state – the Confucian state (c.f. Ikeo 1997, Ling 1996 and Ling 2002, Brook and Blue 1999). For example, according to Ling (1996) one of the main characteristics of the Confucian state is that it had monopolized certain economic functions long before Western capitalist influence, with unchallenged moral and political influence over the societies it presided. Much before the developmental state paradigm would set up an explanation of these countries’ developments of the last 50/60 years, it was found that East Asian government officials and political rulers had a long tradition in monopolizing information and resources they obtained from the outside world. In the historical development of countries like China, Korea and Japan, it was found that they had already implemented isolationist policies during the 17th and 18th centuries, and although capitalist industrialization would only penetrate this part of the world in the late 19th and 20th centuries, indigenous state forms had consistently monopolized the channels for transactions with Asian and Western countries. As Ikeo puts it: ‘the doors were closed to transact with outsiders, but were closed only to ordinary people, not to the rulers’ (Ikeo 1997:2). In this perspective the historical capacity of East Asian ‘states’ and political elites to actively intervene in and determine the economy is explained by those social-cultural aspects of Confucianism, which have enhanced state capacity in countries where Confucian-based ethics are present. Confucian ideal-typical governance constructs the state as ‘family relations written large [in which] the state extends parental benevolence in exchange for the society’s filial piety’ (Ling 2002: 118). Although countries like Korea, Japan and China have clearly absorbed Western capitalist methods and practices in organizing economies, social relations cutting across public-private divides are still embedded into the Confucian, family-based governance.

In Confucian states, questions of leadership and more broadly, questions of power – either in politics or in business – are framed in a culturally-specific, di-
dactic and moralistic ideology, flowing along a top-down, hierarchical and rigid social order, with the state and its officials at the top. The distribution of power among economic and political actors in the Confucian model is characterized, according to Ling, by ‘the public masculinization of the father-state dictating policy to a feminine and submissive society. Together they nurture a common progeny: the son-corporation’ (Ling 2003). Underlying this analogy is the suggestion that Western values are not unique to capitalist development; ‘where Asians succeeded as capitalists, they did so because of, and not in spite of, their cultural roots’ (Brook 1999: 154).

1.2.3. Divergence Hypothesis: Institutional theories

The institutional approach claims that capitalist societies continue to exhibit fundamental differences in their core institutional and organizational structures, especially along the East-West divide, despite increasing global economic interdependence. In stark contrast to market approaches, institutional theory seeks to explain why economic rationality is not the same across space and time. It looks at the organizations (formal, informal, public and private) that structure economic and political interaction, and how they are socially produced and culturally maintained (Biggart 1997). The importance of this approach lies in the assumption that state, market or cultural factors alone do not explain why some countries “do better” than others. Instead, institutional theory combines the causal elements of state, market and cultural approaches as equally crucial variables in explanations of political and economic organization (c.f. Biggart 1997, McVey 1992): culture, economy and the state are inextricably linked by the institutional arrangements that shape social organization.

Institutionalisation is defined as the process in which organizations – serving all kinds of purposes – become infused with value other than pure material considerations (Biggart 1997: 25). This definition is rooted in Weberian sociology, because it regards the predictability of certain forms of action under a particular rationality, which is largely determined by context and history. Biggart gives an illustrative example in this respect. A Chinese merchant in imperial times is just as profit-seeking as a contemporary Wall Street investment banker and just as ‘economically rational’, but his reasons for the pursuit of profit, his norms of exchange, his network of relations, his strategies of accumulation – thus his entire orientation to gain – are strikingly different (Biggart 1997: 20). This example unequivocally shows that history matters in institutional theory. Historical institutionalism recognizes that political and economic development must be understood as a process unfolding over time, in which its past and present implications are embedded in institutions (Pierson
2000: 265). Here the main hypothesis is that socio-economic organizations and political institutions have co-evolved over extended periods through densely linked institutional matrices that make national economic systems highly path dependent (Pierson 2000: 264). This means that because of institutional patterns, political and economic systems may exhibit resilience despite external shocks, such as changes in the global economy, or even internal power struggles.

The institutional perspective has delivered important findings regarding East Asian forms of capitalism. For example, Hamilton and Chen claim that the network structure of Asian economies has distinctive organizational features, which have produced institutional patterns quite different from those in the West (1996: 3). Whereas companies in the West are more or less autonomous and competitive with other companies, in Asia they are interlinked in vast and cooperative networks of firms (Hamilton and Chen 1996: 3). These networks are more significant than the individual firms that make them up because they provide an ‘institutional medium’ by which Asian economies are socially organized (Hamilton 1996: 290-294).

For Castells (1998), networks are new forms of social and economic organization, characteristic of the informational, global economy: ‘networks are the fundamental stuff of which new organizations are and will be made’ (1998a: 168). He distinguishes organization from institution, in that an organization is a specific system of means oriented to the performance of specific goals, while institutions are organizations invested with the necessary authority to perform specific tasks on behalf of society as a whole (Castells 1998a: 151). He notes, however, that in Asia, the existence of business-oriented networks had preceded the rise of the information age, which he explains by recognizing that networks are not simply a mechanical consequence of technological and economic change, but also a manifestation of the institutional and cultural patterns of Asian societies. Networks may express the commonality of certain organizational arrangements in the current global age, but they are still subject to wide contextual and institutional variety (Castells 1998a: 172).

1.2.4. Rethinking the divergence of Asian Capitalism

The empirical demonstration that Asian business networks are the main vehicle for organizing economic activity illustrates and at the same time poses a challenge to the varieties of capitalism debate. Asian business networks are ‘social constructions reflecting institutionalised and normative prescriptions for the formation of cohesive groups’ (Hamilton 1996: 283). However, they also differ systematically among East Asian societies, which is explained by the distinctive and institutionally
rooted ways in which Koreans, Japanese or Chinese put together their social groups (Hamilton 1996).

Within the varieties of capitalism debate, the divergence hypothesis has gained weight with the claim that the distinguishing economic feature that sets Asia apart from the West is that markets and organizations are built on groups and networks – of people and firms – and not on the individual actors and economic factors hypothesised by Western market theorists (Biggart 1997: 17). The claim that the network structure of Asian economies is the fundamental distinguishing feature of Asian capitalism has shifted the empirical focus from states and markets to how Asian entrepreneurs actually organize their economic activities (cf. Hamilton et al 1996, Biggart 1997, Castells 1998). By focusing on the institutional features and organizational dynamics of business networks in each location, they have shown not only the differences and similarities between “East and West”, but more importantly they have discovered that networks have also differed substantially within East and Southeast Asia.

In order to explain regional differences within Asian, East Asian or Chinese versions of capitalism, as well as their overall response to and interaction with global processes, the divergence perspective must be radicalised. We should therefore explore not only the forms of economic organization but also the ways in which business networks gain social expression and political influence. Debates about the nature and prospects of Asian capitalism – in all its variety – should ask questions about the doers rather than the done (McVey 1992: 8). Most importantly, McVey suggests that not only the social sources, material resources and cultural orientation of business leadership are important to understand the nature of Asian capitalism, but equally the nature of its relationship to the political elite.

The focus on how Asian entrepreneurs organize their businesses should also include broader social and political institutional patterns. Thus, the concept of state-business relations deserves theoretical attention because the relationships between entrepreneurs and state officials result from a longer co-evolution of economic and political organization patterns all across East and Southeast Asia. As a specific form of institutionalisation, state-business relations (like business networks and state structures) have contextual and institutional variety, but the main advantage of using this concept is that it makes it possible to understand institutional differences within similar socio-cultural contexts and within similar economic development patterns. In other words, state-business relations allow us to explain both the similarities and differences across a variety of political and economic systems that characterizes the most sizeable “branch” of Asian capitalism: Confucian or Chinese capitalism. Before we turn to a more detailed description of the state-business relations perspective, in the following section I will discuss the most important theories and contributions explaining capitalist development in China.
1.3. The China Puzzle: understanding capitalist development in contemporary China

Since the late 1970’s, the developmental path taken by the People’s Republic of China (PRC) has continuously challenged debates on the social, political and economic forms of capitalist globalisation (c.f. Brook and Blue 1999, Sklair 2002). As China continues to expand its involvement in the capitalist world economy in the 21st century, the causes for its enormous economic growth continue to be as varied as the theories used because it provides an economic success story which has hardly any parallel with the trajectory of other ex-socialist countries and other East Asian economies.

On the one hand, China has not fit many models seeking to explain causes and effects of political and economic systems such as communism, totalitarianism or democracy. It has been quite common to treat China as a (convenient) ‘exception’, either in comparison to the economic collapse of former socialist societies, or as a ‘threat’ to global security because of its authoritarian political structure (cf. Christensen 2001, Roy 1996, Van Kemenade 1997). On the other hand, state, market and cultural approaches to East Asian capitalist development have analysed China under various ‘lenses’, but they have rarely combined the strengths of all three approaches in one single model or explanation. As we shall see in the next sections, despite sometimes conflicting results, these theories follow a long (Western) tradition to use arguments of cultural, political and institutional exceptionalism to explain capitalist development in present-day China. In this sense, China is a paradigmatic case in current divergence arguments about globalisation.

1.3.1. The Classical Debate: Marx vs. Weber

Despite the unprecedented scale and speed of the sweeping economic transformations, the debate on whether China could, or would, ‘catch up’ with the West is almost as old as European social sciences’ themselves. This debate has reflected an almost classical division between Marxist and Weberian theories on (non)capitalist development in China.

Both Marx and Weber have looked at China as a counter or negative example in the context of their work and, in their own distinctive ways they both have asked why China ‘failed’ to be like the West. In the 19th and early 20th century, there was little doubt among Western thinkers that the material reasons for China’s comparative backwardness lay in its technological inferiority and comparatively inefficient organization of its economy and industry in relation to Europe (Blue 1999: 98).
Writers who reflected on the structure of Chinese society in the period from the first Opium War (1842) to the end of World War I – like Marx and Weber – depicted it as historically continuous and structurally stable, to the extent that it provided a contrasting example to the dynamic aspects of Western political cultures (Blue 1999: 98). It was thus assumed that Chinese society has remained essentially unchanged at an inferior stage since antiquity, with structural features that were identified as ‘feudal’ or ‘despotic’ because they differed from the features characteristic to the West (Blue and Brook 1999: 3).

In the logic of Marx’s historical materialism, China could not achieve the capitalist stage on its own, i.e., outside the history of Western capitalism, colonialism and imperialism (Hamilton and Chang 2003: 174). After the fall of the Qing, Marxist theorists were challenged to give theoretical and historical support to notions of Asiatic modes of production. Most Marxist historians defined the Chinese feudal stage as an essentially unchanging, self-sufficient economic and social structure lasting from the Qin unification in the third century BC until the fall of the Qing in 1911 (Perdue 2003: 53). Nevertheless, in the period between 1911 and 1949, the claim by Chinese Marxists that feudal China did harbour nascent capitalist tendencies gave rise to the “sprouts of capitalism” debate, within which two arguments emerged. One argument considered that China was already a capitalist society, with a native bourgeoisie in league with foreign capitalism (including in imperial times). The other argument considered China as a “hybrid” type of society – semi-feudal and semi-colonial – generated by China’s encounter with Western imperialism. (c.f. Brook 1999: 110-157). The characterization of China as a pre-capitalist economy, modelled by an Asiatic mode of production and a despotic imperial system, stopped when Western capitalism entered the scene³: from then onwards until the 1949 Communist Revolution, China was classified as ‘semi-colonial’, a status which set China off from the vast majority of the Asian world, conquered by Western colonialism (Hamilton and Chang 2003: 176).

In contrast to Marx’s historical materialism, Weber argued how China ‘failed’ in adopting rational bourgeois capitalism, not so much because it had a feudal, land-owning socio-economic structure, but rather because a particular kind of religious ethic was absent. In fact, by focusing on the bureaucratic structure of political authority, Weber demonstrated how the bureaucratic state in China had been further developed than in Europe. Its main distinguishing feature was the emulation of a Confucian ethical doctrine – postulating an ideal patrimonial state (with the emper-

³ In this respect, Hamilton and Chang (2003) point out that the Opium Wars in 1842 were the decisive event in which the British forced trade measures upon imperial China, including the establishment of the British colony of Hong Kong.
or at the top) – which provided the organizing principles of the Chinese imperial bureaucracy. It tolerated social mobility and wealth acquisition – through an intricate relationship between bureaucratic office and land-owning clans or families – but it still prevented ‘independent’ economic and social power from turning to activities outside the bureaucracy’s purview (Brook 1999: 141). For Weber, the relationship between bureaucratic office and kinship-based land-owning organization – the two poles in China’s institutional scale – was an effective obstacle to the development of rational capitalism because they lacked the particular mentality, essential for rational capitalist development. These relationships reproduced instead Confucian value systems celebrating a stable and ‘immutable’ social order. ‘Confucianism’ was an end in itself, the instrument of the ruling classes for social control which inhibited, for example, the pursuit of profit outside the family or outside the interests of the parent-state (Weber 1964: 79-83).

Weber’s ideas influenced generations of intellectuals engaged in the study of China’s political economy in two major ways: in the study of bureaucratic state structures in China (state-centred perspectives); and in studies on ideologies and cultural values as causal forces in China’s 20th century development (institutional and cultural explanations)4. From this perspective, the Confucian nature of society and polity has largely determined the stability of political structures. According to Pye (1992), Confucianism singles out the particular nature of the Chinese state which, either under communism or capitalism, has stable features5. As the normative guidance for individual behaviour, Confucianism emphasizes respect towards authority, hierarchical order and discipline. As political doctrine, it has been the ideological tool of Chinese rulers, enhancing their ability to mobilize and control society in a long-lasting stable framework.

These features alone did not cause economic development, in the way state policy does, but Weberian arguments – though effectively reversed – still find expression in contemporary debates on the varieties of capitalism, not only because they have acknowledged the possibility of capitalism in China but because if it ever existed there in any form, it would be radically different from the West (cf. McVey 1992). The re-working of Weberian perspectives through the application of the ‘spirit-of-capitalism’ logic to Ming and Qing (late imperial) China has highlighted that the work ethics and moral attitudes of Chinese merchants – essentially

4 Weber moved ideas and ideals to the causation center of rational capitalism: instead of always being a reflection of material conditions, ideas could be voluntaristic forces in initiating economic change (Yang 1964: xv).

5 Peng (1997) describes Confucianism as a “double-edged political sword”: the Confucian communism of the Mao era has been replaced by Confucian Reformism of the Deng era.
Confucian – could and did justify profitable commercial activity (Brook 1999: 153). In this argument, Confucianism is not an obstacle to commerce (in the Weberian sense) but actually an incentive to it. The distinctive Chinese features of social and economic organization based on long-standing ethical codes embedded in fundamental political and economic institutions, like devotion to the sovereign, family fidelity, righteousness, assiduity, thrift and prosperity, seem to have contributed as much as state policy to China’s recent development story.

1.3.2. Explaining contemporary Chinese capitalist development:
state arguments

Theories seeking to explain the role of the state in China’s capitalist transformation claim that globalisation has not eroded state power in China, quite on the contrary. The central argument is that the adoption, and adaptation, of market-oriented systems and organizations, was enabled by a strong, centralized, authoritarian type of state.

State-centred arguments have convincingly explained the top-down and politically-closed nature of the economic reform process in China over the last two decades (c.f. Breslin 1996, Shirk 1992, Yabuki 1995, Shambaugh 1995). They have shown that China’s economic success was not the work of a miracle, but plainly the work of an authoritarian type of state, which has managed to survive the many challenges produced by the reform process by becoming more or less “developmental”. From this perspective, in this specific case economic development and the performance of private businesses have been led by the state and initiated by its prior organizational structures, in which the central government and a single-party political system maintain an authoritative pattern of politico-economic control through a vast hierarchy of tiers of government and party organizations.

State approaches to China’s development process of the last two decades have delivered two major findings. Firstly, China’s decision-making structures are more decentralized. Political de-centralization seems to have been an essential ingredient to the successful top-down implementation of market-oriented economic principles. Secondly, these policy shifts towards the decentralization of decision-making have stimulated increased regionalization or localization (in terms of economic decision-making), but not everywhere alike. With the introduction of ‘open-door’ policies in 1978, setting off a long-lasting, still ongoing reform process, coastal regions and major urban centres were allowed to develop special regulatory frameworks with the purpose of attracting foreign investment. The result was that these special areas have created links with the global economy, prior to other regions and provinces, which means that in the course of China’s economic reform, a number
of regions and cities were encouraged to develop and become ‘richer’ before others. According to Goodman (1994:1), ‘China’s pattern of regionalism has produced a highly differentiated economic geography (…) which suggests a replay of the 1920’s Warlord Era, except that political power is now based on economic rather than on military power’. Goodman argues that through the opening of special regions the Chinese state has changed its economic relations’ pattern with the rest of the world and how the relationship between central and a panoply of sub-national governments has changed, precisely because of region-based economic growth. State-sponsored economic reforms have encouraged economic regionalism within the People’s Republic of China (PRC), and Chinese regionalism within East Asia (Goodman 1994: 3). Yet, he concludes that this relationship is not necessarily antagonistic because the state ensures that economic regionalism is a feature of the reform process, although it can be a potential catalyst for political disintegration (Van Kemenade 1997).

These findings illustrate the claim of increasing divergence in the varieties of capitalism debate, and in the concrete case of China, the claim is that it is hardly possible to conceive of one, unique form of capitalist development, common to all its regions and locations.

1.3.3. The economic success of overseas Chinese and the Confucian explanation outside the nation-state

The theoretical focus on the specificities of Chinese culture as a cause of development has produced the general claim that there is indeed a Confucian brand of capitalism, wherever the Chinese accumulate sizeable amounts of capital and engage in market activities, in China and across Southeast Asia. In China and in societies of strong Chinese cultural and social influence like Singapore, Hong Kong, Macau and Taiwan, the political inscription of cultural values such as hard work, commercial talent and family connectedness usually single out the common Confucian heritage as the reason behind their economic performance (Redding and Tam 1995, Nonini and Ong 1997).

6 With the exception of the major non-Han areas, like Tibet, Xinjiang and Inner Mongolia (c.f. Goodman and Segal 1994, Ferdinand 1994).

7 The political desintegration of China has been predicted mainly by economists and market theorists, especially those who argue for the inevitability of market capitalism and democracy in former socialist states. However, by the end of the 1980’s China was visibly demarking itself from the trajectories and transition processes occurring in the former Soviet Union and its Cold War allies.
The essential, exclusive and unchanging cultural values are present in theories explaining the transnational, rather than national character of economic and business success in contemporary China. The transnational perspective frames the interactions linking people and institutions across the borders of nation-states, involving individuals, their networks of social relations, their communities and the broader institutionalised structures such as local, regional or national governments (Hong 2000: 12). In the case of China, as the transnational approach moves beyond the nation-state framework, it focuses instead on Chinese overseas communities, the relations they have built among themselves throughout the Asian region and their relations with the Chinese homeland.

Nonini and Ong have re-worked the Chinese diaspora into a new identity: the “Chinese not resident in China”, in which being Chinese is not restricted to the geographical boundaries of the Chinese state and it is the result of the intensification of economic networks between the migrant entrepreneurs from all over the world and their homeland (1997: 4). Present-day Chineseness is a culturally distinctive domain framing accumulation strategies and power relations (Nonini and Ong 1997: 4). Here the transnational focus is extremely sensitive to the impact of culture in China’s capitalist development, but other scholars have also paid attention to a longer historical trajectory of ‘China-World’ relations, in which the ancient role played by merchant networks has been re-interpreted and re-invented as the driving force of Chinese capitalist development (Redding and Tam 1995). Historically, the generalization of Confucianism across East and Southeast Asia was proportional to Chinese presence, influence or hegemony in the region. Seen from a long-term perspective, the weight of Confucianism and its enactment by Chinese merchant networks substantiate claims that, on the whole, East Asian development has originated from the legacy of a China-centred tribute-trade system, rather than from the encounter with, and reaction to, Western colonialism and global capitalism (c.f. Gunder Frank 1998, Arrighi and Hamashita 2003). The relations between China and the East and Southeast Asian region – materialized both in the Chinese tribute system and in the existence of ethnic Chinese trading circles throughout the region – were more important in shaping developmental processes and outcomes, than the interactions with other regions of the global economy (Arrighi and Hamashita 2003: 1-2).

Now that China has effectively become a crucial player in the global economy, the transnational perception of the Chinese economic success has been popularized in theories about the ongoing construction of a ‘Greater China’ (Shambaugh 1995, Van Kemenade 1997) and the global success of ‘The Bamboo Network’ (Weidenbaum and Hughes 1996). While “Greater China” has clear political and ideological implications, the “Bamboo Network” emphasizes the crucial role of overseas Chinese entrepreneurs – rather than “foreign” investors – in financing and managing China’s economic transition. Both theories build on factors such as ancient
cultural ties, linguistic affinities and family connections to explain the transactional character of China’s development. Likewise, both theories strive to prove how cultural factors have adjusted both to global economic pressures and to the present configuration of the Chinese state, without losing socio-economic (thus causal) importance.

The notion of ‘Greater China’ frames a convergence process between economic interests and historical and cultural factors. The transition from a centrally-planned to a state-guided market economy has re-invented a ‘natural’ macro-region framing all economic and social relations between Hong Kong, Macau, Taiwan, overseas Chinese and the Mainland (Shambaugh 1995). Greater China thus comprises of multiple special regions, built most importantly on its relations to overseas business communities across East and Southeast Asia. These relations ‘give substance to deep political, historical and cultural roots that stretch beyond Greater China’ (Shambaugh 1993: 655), but in practice Greater China is limited to elite business and government groups who, regardless of their geographic location, seem to believe that being Chinese – or possessing Chinese roots – constitutes a crucial economic advantage. Coincidentally or not, the popularity of this view has fitted perfectly in the central government’s development plan of facilitating foreign investment (especially to the compatriots abroad) while nurturing a prideful nationalist devotion to the country of the ancestors.

The ‘Bamboo Network’ approach focuses on the economic turnaround, in which overseas Chinese (including Taiwan, Hong Kong and Macau) began to invest massively in their ‘ancestral’ homes. This economic turnaround has drastically changed the patterns of relations between China and its emigrant entrepreneurs, and turned the unfavourable conditions of overseas Chinese entrepreneurs into factors of success. The members of the bamboo network have become essential players in all of East and Southeast Asia, financing both China’s economic transformation and the rapid expansion of other regional economies.8 The globalisation of Chinese businesses – based on the deepening involvement of the PRC in the global market system and the parallel success of Chinese communities outside the PRC – has reached an unprecedented scale in the region and in the Chinese Mainland. Just like ‘Greater China’, the bamboo network is nevertheless explained as the result of widely shared beliefs that common ethnic or regional backgrounds and linguistic affinities provide the essential basis for business trust and creates new or extended

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8 According to Weidenbaum and Hughes, companies owned by ethnic Chinese families in Singapore, Malaysia, Thailand, Indonesia and the Philippines make up about 70% of the private business sector in those countries, while they are rising in Vietnam and Australia (Weidenbaum and Hughes1996: 8)
economic opportunities. In this perspective, culture, language and family connections are the fabric of Chinese business networks; they bring economic assurance against unstable social and political environments, both in the host and home countries of these entrepreneurs.

1.3.4. State-Business Relations in China: the Entrepreneur and the Party

Studies on political systems and types of states across East Asia, as well as more cultural approaches to economic development, have to a large extent explained the similarities across this region, but have insufficiently explained why the economies are organized so differently across countries and within a country like China. Thus, little attention has been paid to the wide variety of social institutional arrangements in countries and societies sharing obvious cultural, ethnic and linguistic affinities. This variety can be captured by looking at a crucial aspect of capitalist development: state-business relations. In social sciences, recognizing the importance of state-business relations has stemmed more from empirical findings than from theoretical concern, at least in studies on development patterns and forms of economic organization in the East and Southeast Asian regions.

For example, in studies about China, state-business relations have been dealt with from mainly two angles: foreign enterprises and overseas entrepreneurs vs. the Chinese state; and the Chinese state vs. domestic enterprises and entrepreneurs. The first angle deals mainly with the links between the Chinese state and the global economy. The major finding is that overseas Chinese entrepreneurs and corporations have been the main foreign investment agents in China (Weidenbaum and Hughes 1996). Cultural approaches to Chinese transnationalism usually place analytical emphasis on cultural and social factors to explain the convergence between overseas businesses/investment and the state as a product of a certain mentality, worldview or ideology. Conversely, state theories tend to conceptualise overseas business networks as impersonal, economically-rational, foreign investment agents. Little attention is paid to the socio-economic and political profile of overseas Chinese businessmen and less to their socio-economic diversity, and the ways their history and present context impacts on their motivations and reasons to develop closer relations with Mainland China.

The second angle deals with the relationship between the state and Mainland enterprises and entrepreneurs, and it highlights the centrality of state-business relations in explaining China’s economic reform process and de-centralization strategies. As noted by Solinger, since the beginning of the economic reforms, there has been a new social assertiveness by the private entrepreneur and by the local (regional or municipal) government official alike. In her findings, she claims that reform
arrangements have ‘merged the entities we usually call state and society in China, through a bonding interdependence between the bureaucrat and the merchant, who now compete with one another for funds, supplies and markets’ (Solinger 1992: 136). Securing business permits in China requires the development of close and continued relations with state structures and political hierarchies. In this sense, the development of private businesses in the context of reform has been based on localized exchanges of commercial wealth for bureaucratic power (cf. Solinger 1992, Young 1992). In a similar fashion, Kwong and Lee (2000: 521-524) found out that the success of township and village enterprises was possible not only because of the reform process but also because interests of local government officials and enterprises overlapped. They nevertheless conclude that in rural areas, state intervention was prevalent in the eagerness of local officials to promote economic growth in their areas by giving favourable treatment (in the from of tax cuts, subsidies or bureaucratic facilitation) to a selection of local enterprises.

In an attempt to explain the relations between state and business in post-reform China, Wank (1996) has focused on the institutionalization of patron-client exchanges between state officials and the private entrepreneurs. He argues that the ties that bind commercial wealth to bureaucratic power are modelled as patron-client exchanges, in a context of power asymmetries such as those between state and society actors in China. The ‘client’ entrepreneur is connected to the ‘patron’ bureaucrat through institutional networks linking the entrepreneurs to their respective governments – municipal, provincial or national (Wank 1996: 820). In these networks, they negotiate, bargain and eventually collude, but mutual benefits have been drawn from these constant exchanges, in places where until very recently the legal figure of private entrepreneur did not exist. For example, the allocation of resources constitutes an important state-business networking area, like basic energy supply and transport facilities, attribution of technology and funds and the creation of information channels (cf. Kwong and Lee 2000).

The institutionalization of patron-client ties works through a mix of capitalist practices and socio-cultural rules and it is ‘cognitive and normatively embedded in routinized social interactions, which generate trust and ascribe meaning and value to particular activities, entities and individuals’ (Wank 1996: 821-25). Although Wank claims that patron-client ties and networks are mutable and transitory, I would argue that there is nothing to suggest this; quite on the contrary. These networks result also from historical legacies, in which Chinese social groups or families reproduce patron-client relations, notably by investing in education of family members or close associates so that these can perform political functions that will help the family or the group to maintain and reinforce ties with the government. Regardless of changes in government regimes in China, social trust relations and patron-client networks form the institutional core of Chinese entrepreneurship, its forms of eco-
nomic and social organization and its relationship with the state. For the state and its far-reaching bureaucratic apparatus, patron-client ties have brought new and important sources of revenue to cope with the pressure of reform (Wank 1996: 824). For the businessmen, since the beginning of the reforms, patron-client ties have not only helped the expansion of their activities but have also improved their position in society and within the government itself.

A good example of this situation is given by E. Zhang (2001). Zhang focuses on the private entrepreneur’s new social position, specifically by looking at the routinized practices conducted by a new class of entrepreneurs in order to get favors from the state. He argues that this new social position is characterized by the existence of a number of pervasive practices at every level of the relationship with the government. These practices are defined as goudui, a term commonly used among private entrepreneurs to describe how they deal with government officials. Goudui is a metaphor to describe common practices of spending money on officials. These practices are always changing, they are devoid of certainty (they do not bring immediate results), they are regular and endless (Zhang 2001: 239). But they are key in building trust in China because they ritualize exchange processes that bring a high degree of entanglement between the state and private entrepreneurs.

In the case of the Chinese businessmen abroad, and other ethnically aligned business communities, these practices are used strategically to enhance their social status and to build up social networks that may further their business interests (Rutten 2003: 212, cf. Rutten 1997). As Rutten’s comparative study show, the participation in social activities such as gambling, womanizing and drinking parties helps to establish personal contacts with potential clients and business partners and with government and bank officials (Rutten 2003: 213, cf. Rutten 1997). Other strategies include membership or office-holding in educational, cultural or charity associations, providing another means of raising the businessmen’s social prestige, which contributes to their entrepreneurial success.

All these contributions point to a new power configuration between government officials and private entrepreneurs in China. The institutional entanglement between businessmen and government officials is a crucial aspect of China’s economic development, and theoretically an important causal link in explaining Chinese capitalism, which is at work in the Mainland and abroad. The foreign businesses and investment groups that have been clearly successful in developing institutional networks around the state are the overseas Chinese entrepreneurs who, besides the new Mainland entrepreneurs, possess a far greater knowledge and understanding of the

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9 In Chinese Goudui literally describes a technique to make soup or liquor; thickening and smoothening. (note from the author Zhang 2001: 238)
cultural dimensions and characteristics specific to Chinese society that must be taken in consideration if a product or business practice is to enjoy widespread acceptance in China. The use of personal influence – *guanxi* – continues to be accepted as a matter of course in China, where gifts exchanged between business partners and government officials lubricate the business-making process, which according to Western standards borders on bribery and corruption (cf. Douw et al. 1999, Weinenbaum and Hughes 1996). But for the contemporary Chinese entrepreneur, it is equally important to achieve business success, as it is to achieve some sort of bureaucratic power. This is a goal in itself – and a typically Confucian one – perhaps not through vote, but definitely through personal or collective influence, in a web of trust relations that presuppose a particular rationality of action. The difference now is that the entrepreneur has the potential to become the patron and the government, the client.

### 1.4. Understanding state-business relations in Macau

This thesis is about the political economy of Macau, in a context of transition from a colonial to a post-colonial region. The concept of state-business relations is used to explain why and how political and economic patterns have emerged, in order to understand how capitalist development takes shape in Macau after its political unification with the Chinese Mainland in 1999.

Macau’s transition from Portuguese colony to Chinese Special Administrative Region has coincided with a wave of speedy capitalist development in which East Asian economies and societies have become successful players in the global economy. This situation includes the People’s Republic of China, which in the last 3 decades has also been ‘in transition’, from a centrally-planned socialist economy towards market capitalism. As seen in the previous section, the de-centralization of economic policy making has been a fundamental characteristic of the PRC’s reform processes, which has enhanced the autonomy of sub-national governments and their capacity to influence development ‘on the spot’. The increasing economic diversity (and sometimes growing inequalities) among Chinese regions and cities, both within and outside the nation-state, has opened debates on the causes of Chinese capitalist transformation, to explain why in China some regions ‘do better’ than others. The study of Macau state-business relations provides an opportunity to have a detailed insight into what really determines entrepreneurial success in different regions of present-day China and how they link up to the global economy.

Since 1999, Macau has responded to globalization processes by increasing its political and economic integration with the PRC. As a Chinese Special Administra-
tive Region (SAR), Macau is not a totally unique case since it shares the same SAR status as Hong Kong. As a very small-sized economy – where the gambling industry is dominant – Macau features patterns of social and economic organization, which can be found in other Chinese societies such as Taiwan or Singapore, but which are also the product of its particular historical context. The hypothesis raised here is that cultural and ideological convergence among Chinese regions and societies do not bring per se the same patterns of economic and political organization. Regional differences are used to achieve more economic integration among richer and poorer regions, and in this perspective Macau constitutes an important case to how regionalization takes place in China, as a form of response to – and shaping of – globalization processes.

The state-business relations approach combines two perspectives – institutional and historical – to explain one regional form of Chinese capitalist development (in Macau) shaped by local specificities and by wider, macro processes and factors. This study assumes that there is institutional variation in the patterns guiding state and business across culturally similar societies. Yet, the focus on state-business relations – conceptualised as a local-specific form of institutionalisation – is used to show how global, national and transnational factors are absorbed by local organizations and institutions. An analysis of state-business relations unveils the ways through which state and business actors are connected to each other locally, and the ways through which they connect to other regional, national and global actors. By focusing on the “doers, rather than the done” (McVey 1992), state-business relations can serve as an entry point to understand the institutional underpinnings organizing capitalist societies and their modes of development, incorporating all social, economic and political relations in a given moment in time.

1.4.1. The Weight of the Past10:
State-business relations in historical perspective

In Macau, the convergence of economic and political interests, especially among the Mainland’s government officials and local business networks, was pivotal to turn the ex-Portuguese colony into a Chinese SAR. This major turning point is the key event producing new institutional patterns and state-business relations linking local political and economic actors to national and global institutions. From this conjuncture, a regional form of capitalist development is taking shape in Macau.

In order to better understand and explain state-business relations in post-transition Macau, it is important to think about the continuous presence of the past in

[10 Term adapted from Roberto Unger’s ‘the burden of the past’ (1996)]
the present. This study will begin by examining closely the historical evolution and development of local political institutions and economic organizations, and how much this past weighs on the emergence of specific state and business patterns after the transition. One of the questions addressed in this thesis is whether Macau’s post-transition patterns are path-dependent or path-breaking, i.e., if these patterns have been determined by past conditions or if the deep political and economic transformations occurring in the last two decades have produced new patterns.

Pierson (2004: 2) claims that one way of analysing how the past shapes the present is by recognizing that political and economic development processes are embedded in institutions, which have evolved over long periods of time. The historical analysis of institutional patterns thus might help explain why political and economic systems exhibit resilience despite external shocks (such as changes in the global economy) and domestic transformations (such as the substitution of the Portuguese administration by local Chinese officials). For the theorists of ‘path dependence’, this notion is particularly important to develop hypotheses about sources of political and economic change and stability (cf. Pierson 2000, Mahoney 2000, Pierson 2004). For example, Mahoney claims that path dependence characterizes those ‘historical sequences in which contingent events set into motion institutional patterns and event-chains that have deterministic properties’ (2000: 507). This means that the identification of path dependence involves tracing an outcome back to a particular set of historical events, beginning with a ‘contingency period’ – corresponding to the adoption of a particular institutional arrangement – and its ‘deterministic pattern’ – corresponding to the stable reproduction of this institution over time.

However, institutions can and do change. Macau’s recent transition constitutes one such contingency period, in which older institutional patterns may have persisted by adapting to new and present circumstances. But it also has created new institutional forms, which have resulted from the impact of globalisation in China as a whole, and from Macau’s increasing economic integration with the Mainland. The detailed analysis of state-business relations in two key economic sectors in Macau will answer whether state-business relations can be characterised as path-dependent, i.e., to what extent business organizations and state institutions have followed relatively deterministic patterns or if they have changed with the transition. Macau’s key economic sectors – gambling and the export-oriented textiles and garments industries – have different organizational features, but the institutional patterns linking each of these sectors to local and national political regimes bear important similarities.

Placing state-business relations in historical perspective entails tracing institutions and organizations temporally, and explaining why some patterns are more resilient than others. Institutional similarities and differences, across economic sectors and/or across time periods, have to do with the specific historical, geographical,
social and political context of Macau. From this perspective, Macau’s institutional context has been shaped by a number of factors: a long Portuguese colonial experience; a particular (Chinese) legacy of social and economic organization; and the vital necessity of keeping any sort of political and economic relations with the Chinese Mainland. To these three historical factors – which have had an independent impact in the formation and reproduction of Macau’s state and business patterns overtime – another factor is added: the impact of globalisation in economic integration processes between Macau and China, and in the co-ordination of different institutional patterns and different economic responses to global challenges.

**Portuguese Colonialism**

The history of Macau is inextricably intertwined with the advance of European interests and presence in China, and with their successive attempts to establish zones of colonial domination. As such, the historical trajectory of Macau also reflects the patterns of earlier global-scale European trade and political systems. The long-lasting effects of Portuguese colonialism – either with or without Chinese imperial consent – shaped the trajectory of political and economic institutions in Macau, even in times during which Portuguese presence was overtly questioned.11

The establishment of Macau in the second half of the 16th century resulted from an exchange of interests between local representatives of imperial China and a group of representatives (mainly traders, soldiers and missionaries) of a European mercantile power – Portugal. During the fifteenth and sixteenth century, the Portuguese maritime expansion constituted a major secular effort of Portuguese kings and ambitious traders, who jointly organized and directed the maritime expeditions. In the beginning of the Portuguese expansion – in 1415 with the conquest of Ceuta – the main economic motivation was to penetrate African markets and trading posts and to control the gold trade, which for centuries had been in Muslim hands (Léon 1984: 387-404). The success of the enterprise and growing profits from the African trade (in gold, spices and slave labour) propelled the Portuguese into a mercantile crusade for the control of the Indian Ocean’s trading routes. The resort to naval blockades and military occupation of Ormuz, Goa, Diu and Damão and Malacca further expanded the Portuguese ambition of creating permanent control mechanisms – like fortified trading outposts, with warehouses and permanent military garrisons – in the coast of Africa, India and throughout the Indian Ocean.

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11 Especially after the Portuguese de-colonization of India in the early 1960’s and Africa and East Timor in 1974/75. (see Chapter 3 for a more detailed discussion)
As the Portuguese reached China around 1520, they realized that their former occupation methods would not be successful here, and that only through more or less peaceful means they would be able to expand their mercantile interests in China and Japan. After a series of unsuccessful attempts to build trading outposts in China, the establishment of Macau was only possible due to a wide measure of consent from local Chinese authorities. The agreement with local Mandarins allowed, in practice, the Portuguese to develop a trading zone, with social-political institutions (including religious missions or forms diplomatic representation) that were more complex than in other occupied territories. Macau’s early political and economic institutions developed a degree of sophistication – especially in the ways the Portuguese related to Chinese authorities – which contrasted sharply to the trading fortress system in Africa.\(^ {12}\)

Despite many key historical events, local transformations and external shocks, Portuguese colonialism survived over the centuries in Macau. In order to answer why this was so, we have to look more closely into the stability and resilience of certain political structures, during late Portuguese colonialism and during Macau’s de-colonization process (a two decade long process which was geared not towards political independence but towards the political integration within another nation-state). However, looking at the resilience of Portuguese colonial institutions in Macau is insufficient to explain why this specific form of colonialism lasted so long. In other similar cases – for example Hong Kong and Singapore – colonialism introduced changes which also prompted long lasting effects (like the injection of colonial forms of governance), but which triggered the development of Chinese business elites, outside the colonial governmental control. In other words, in order to understand how and why Portuguese colonialism ‘survived’ in Macau, we have to bring in the next factor, which is the impact of Chinese cultural legacies in the development of local economic elites, and in their capacity to organize their business and political interests.

**The Confucian Legacy**

Macau’s population is mainly constituted by the descendants of Chinese migrants and settlers, who over the centuries built their lives relatively free from the control

\(^ {12}\) The only way for the Portuguese to guarantee the protection of their interests in Macau was in exchange of a tribute, a land lease payed annually to the Chinese emperors, and as many gifts as possible to local Chinese authorities. Chapter 2 discusses in detail how this pattern of colonial occupation lasted until the beginning of the nineteenth century.
of local colonial authorities and from the control of China. Like in other overseas Chinese communities, the Macau Chinese descend from political refugees and economic migrants, who had little choice but to resort to trading and commercial activities because they were barred from owning farmland or holding government positions in their homeland and in their host countries (cf. Redding and Tam 1995). The unpromising conditions for Chinese private entrepreneurship to flourish, resulted not only from the colonial situation of some of their host-countries, (like Macau, Hong Kong or Singapore) but also from an ancient legacy of Confucianism, in which entrepreneurial drive had been ideologically despised, occasionally crushed and was for centuries a hindrance in claiming status in society (Redding and Tam 1995: 183-203).

Like in other parts of the world, the injection of Western colonialism in Macau meant that the pursuit of political authority functions continued out of reach of its native (Chinese) inhabitants, but this itself became irrelevant because ‘the contest for social and political status [by Chinese merchants under colonialism] shifted to new grounds’ (Redding and Tam 1995: 193). This is a very important point to have in mind because out of several migrant waves, the emergence of a powerful Chinese business class in Macau was accompanied by the creation of socio-economic institutions and organizations – outside China’s state control and on the margin of the colonial state. These ‘new grounds’ were in fact ‘old means’ of Chinese community leaders to keep their own mechanisms of social and economic control deeply embedded in the culture and ancient traditions of the Macau Chinese. This was seen in the traditional emphasis on group interest (family, collective, association or nation) rather than on individual interest. It was also present in the material and moral sense of duty towards past and future generations of the same family, firm or association, or the concept of ‘face’ on the personal relations level, like in business partnerships, association membership and state-business relations.

The Confucian legacy has been turned into an explanatory factor of the entrepreneurial success of overseas Chinese. In Macau, this legacy has shaped political and economic patterns because these traditional traits have been incorporated into business activities and organizations but with a crucial difference: the private entrepreneur, traditionally despised in the Confucian doctrine, has actually become the ‘Mandarin’. Through the most prestigious business associations, he is already part of the political structure, not only in Macau but in China as well. The reasons

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13 94 % of Macau’s population is ethnic Chinese, 5 % comes from South and Southeast Asia (Indians, Thais and Phillipinos), and 1% is either Portuguese or Macanese. Macanese are the “children of the land”, resulting from the intermarriage of Portuguese, Chinese, Indian throughout the centuries (cf. Berlie 1999).
and the ways through which business success in Macau was turned into a condition for the exercise of political influence (both over colonial and regional government institutions) bring us to another historical-institutional factor: the nature of the relationship between Macau and Mainland China which shaped and conditioned local economic and political action overtime.

**Macau-China Relations**

Macau’s geographic proximity to China has been consistently used over the centuries to maintain a variety of links, connections and transactions flowing between the Macau Chinese and the Chinese Mainland. The nature of the relationship between Macau and China has varied over time, but has been a constant factor shaping Macau’s institutional context. The Macau-China relationship has evolved along three sets of relations: the relations between Portuguese colonizers and Mainland authorities, the relations between the Macau business elites and mainland China, and the relations between local political elites and the Mainland government after the transition. These relations have produced different patterns over time, depending on the actors involved in these relationships in specific historical periods.

The impact of the Macau-China relationship is as old as Macau’s foundation. Over the centuries, the vital necessity of keeping this relationship going, meant sometimes reducing these relations to smuggling activities and/or ‘back-door’, unofficial and secretive contacts. Today, as a special region in the PRC, the Macau-China relationship is characterized by full economic and political co-operation. Macau still enjoys wide autonomy from the Chinese central and provincial governments in local economic and political decision-making. In other words, Macau’s current government has been designated to conduct an irreversible process of national-reunification, while enjoying a wide degree of autonomy in the ways it does so. Paradoxically, the assertion of Macau’s autonomy and socio-cultural identity is based on a strong sense of belonging to China. Thus, after the transition, the political ‘subordination’ to the central government in Beijing seems to have empowered Macau government officials in a novel way: composed almost exclusively of local Chinese business and professional elites, they rule Macau just like an autonomous state, yet they are by definition permeable to wider political and economic trends in China, in order to administer Macau.

**Globalisation**

The Macau transition process can be traced back to the end of the 1970s, when events occurring in Portugal and China were propitious to an agreement concerning the effective de-colonization of Macau. During the transition period, Macau’s
political and economic development has coincided with both China’s open-door and market-reform policies and with a global wave of capitalist development, which has had major repercussions in China and all over the region. This situation produced important shifts in Macau’s economy, and the impact of globalization is yet another factor shaping current patterns of state and business organization in Macau. However, Macau’s overall response to globalisation cannot be seen as separated from the impact of, and response to, globalisation in China because not only is Macau an integral part of China, but it also enjoys increasing economic opportunities generated by the Mainland’s ‘open-door’ policies and by its new political status as Chinese Special Administrative Region.

China has also been in transition since the late 1970’s. The scale and speed of its economic development process, allied to old patterns of political and social control, have produced paradoxical responses to globalisation. As seen from previous sections, globalisation and capitalist development have not eroded state power in China. While the transition from a centrally-planned to a more market oriented economic system still warrants a state-centred explanation, globalization has also had an independent (and in many ways unforeseen) impact in China’s development process. It has brought Chinese societies and networks closer to each other and closer to the Mainland, but it has also produced new ways of differentiating them. This is seen, for example, in increasing income disparities and economic growth across regions and provinces, and in the de-centralization of economic and political decision-making in favour of government institutions of the richer regions and provinces. Globalisation has widely contributed to re-shuffling and re-scaling economic and political activity to sub-national levels, and though in China this has occurred under strict political control, it has unleashed new forces that traditional state structures are insufficient to contain. Globalisation has not minimized the role of the state in China but it has created, or re-created, new roles for regions and cities, through their firms, multinationals and organizations which have seen their economic development facilitated by new policies and cross-border standards. These global effects have become important factors shaping economic and political development in Macau, especially since it became part of China and thereby became also a unique (and rapidly growing) gambling-based economy in the region.

The case of Macau’s state-business relations shows how globalisation has not produced the same effects everywhere in China; it has created increasing regional differentiation, based on the current capacity of certain Chinese cities and regions to operate relatively independently of the central government’s political context. Across China, regionalization processes – in which Macau plays an important part – have been an effect of global forces. The question is whether these processes lend evidence that there is one specifically Chinese type of capitalism or if there is regional diversity in “Chinese” capitalist patterns. The inevitable involvement
of China in the global economy, seen from a broad nation-wide perspective, tends to fall into the first argument. Viewed from the region, globalisation is crucially determined by the political, economic and social specificities and institutional patterns that exist in each city and/ or region. Regional diversity and differentiation originate from longer processes of how different societies, state structures and business groups have been connected to each other within the same regional space (c.f. Bernard 1996: 651). The process of Macau’s integration in China is also an effect of these regionalizing trends because it can be understood as part of a wider and longer legacy of connecting different regions and regionalities within the same imagined national ideal. The Chinese political ideal (as formulated by the PRC’s government) has been re-invented amidst a global transformation, which has put East Asia and China in the league of successful economies. Macau thus constitutes an important empirical link in understanding China’s regionalizing trends in response to global external forces and influences. As will be shown further on in this thesis, after the transition, local political and economic institutions in Macau have adopted and shaped a specific regional pattern of economic and political integration.14

1.4.2. Explaining state-business relations as one specific form of capitalism in Macau

In this thesis, state-business relations are conceptualized as consisting of three elements: political regimes (nature and role of state structures), forms of business organization and the channels through which organized entrepreneurship has access to the state. The analysis of Macau’s state-business relations will look at all these elements in two local economic sectors – gambling and export-oriented textiles and garments industries.

In order to understand what state-business relations are all about in Macau, this study seeks to answer two main questions:

1) How do private entrepreneurs obtain the material and legal guarantees from the government (local/regional, provincial and/ or central) to set up, develop and expand their businesses?

2) How do local government officials maintain institutional links with the ‘centre’ and with organized entrepreneurship?

14 This will be illustrated in the analysis of the Macau-Mainland Closer Economic Partnership Agreement, celebrating freedom of movement in goods, people and capital between Macau and China.
The findings of these cases will then be used to explain Macau’s specific pattern of regional political and economic integration, illustrated by a significant post-transition development: the Macau-China Closer Economic Partnership Agreement. The analysis of this agreement will show how the state and business patterns described in the two economic sectors assume a larger scale; which will explain why and how state-business relations in Macau assume regional-specific characteristics.

Political Regimes: 
nature and function of state structures in economic development

In Macau, though not effectively a state but rather a Portuguese ex-colony turned into a Chinese special region, local forms of political authority share similarities with other states and societies in the region, especially Hong Kong and Singapore. In these cases, local state structures have been actively engaged in economic development processes by allowing, stimulating or even participating in global capitalist strategies and practices. In this study, the role of government structures in economic development is fully taken into account. However, it is not only the local government structures that impact on local economic developments; the economic policies of regional and even national governments have also affected Macau’s economic development.

As the first element in this state-business relations definition, the “state” is conceptualised as one particular and local form of institutionalisation, merging the political interests of local, regional and national (central) political structures, in Macau’s economic development. Evan’s perspective on ‘embedded autonomy’ of state bureaucracies provides some important clues to understand how states link up to all those individuals or groups that contribute to a given country’s industrialization (Evans 1995: 572). The most important is that ‘embedded autonomy’ acknowledges the existence of close ties between government bureaucrats and businessmen.

15 Though Evans restricts his analysis to countries rather than cities or regions, the embedded autonomy concept still seems useful to understand the role of state agents, especially in ‘sub-national’ entities, where the synergies between government and business are more evident, and more pervasive to global economic forces. In local, rather than

15 ‘A state that is only autonomous would lack both sources of intelligence and the ability to rely on de-centralized private implementation [and] a state which is only embedded is ripe for capture and dismembering; only when the two come together [autonomy and embeddedness] can a state be called developmental’ (Evans 1995: 574)

16 States can play four roles in industrial transformation: the role of custodian or regulator; the role of demiurge through the existence of state enterprises, the role of midwife by stimulating the creation of private firms, and finally the role of husband, when the state actively promotes private enterprises. (Evans 1995).
national state institutions, the notion of embedded autonomy may capture many of the complexities of state intervention in China’s development process because it acknowledges the states’ permeability to local and micro processes. In societies with a colonial past, which are not exactly independent states, but instead autonomous or semi-autonomous political entities – like Macau, Hong Kong and other Chinese Special Regions – the role of the state has been crucial in economic development processes. However, in each of these regions, state actors and structures are embedded in the specific social and economic characteristics in each location.

From this perspective, this thesis asks what has been the contribution of the state in Macau’s development process, assuming state structures and institutions – local, regional or central – to be crucial, but not exclusive, institutional settings in development processes. It will be addressed further on in this thesis that state actors and institutions do not have an exclusive role in steering economic development (locally), nor do they have sufficient political autonomy to formulate policies in a number of areas – despite the existence of a generally authoritative political regime across China. In Macau, state capacity – understood in terms of political decision-making, policy formulation and implementation – is embedded in a particular historical-institutional context. For example, though political and economic decisions are taken formally by the state – regardless of it being central, regional or local, colonial or post-colonial – they depend on the support of local institutions, which happen to be outside the state, as in the case of Macau’s business organizations and associations.

**Types of Business Organization**

The second element in this state-business relations definition deals with the organizational patterns that characterize Macau’s economy. According to Hamilton, a ‘Chinese’ type of social organization shapes the way Chinese do business in all settings (1996: 10), and thus from this perspective, Macau should constitute no exception. For Hamilton, the economic consequences of a Chinese type of business organization are so pronounced that the author argues in favour of the development of a distinctively Chinese mode of capitalism. From the theories discussed so far (in 1.2 and 1.3.), three fundamental characteristics can be extracted of a Chinese type of capitalism: personal trust is the underlying foundation of Chinese entrepreneurship (Wong 1996); there is strong embeddedness of small and relatively weak firms in vast networks (Redding 1996); and these are deeply rooted in localized institutions such as kinship and regionality (Hamilton 1996).

Macau is an essentially Chinese (capitalist) society, but with its own specific forms of social and economic organization. In order to map the characteristics of Macau’s business networks, and find out whether they reflect the distinctively Chinese mode of economic activity described above, it is important to consider local
types of business organization, how they arise and what their impact is on the economic success of local entrepreneurs and on the overall economic development of the territory.

The first sector – the gambling industry – is geographically confined to Macau. In 2002, this industry opened up to global investment. In this process, Macau seems to re-invent itself as China’s casino city and a major tourist destination, catering for activities that range from theme parks to prostitution, but where casino-gambling is still the leading attraction. Gambling activities have existed for centuries in Macau, and in the 1960’s they were organized under a local monopoly company, from which casino businesses expanded into a large and diversified services’ and entertainment sector, the most lucrative business in the territory. After the transition, the Macau government has taken the initiative to change the monopoly system into a ‘partially’ competitive one. The predominance of one corporation in the gambling industry complicates the move towards gambling services’ liberalization, but the local entrepreneurs still have to adapt to the new circumstances, including an increase in government intervention and regulation.

In contrast to the gambling sector, the textiles and garments industries are characterized by geographical dispersion in their investment, production and distribution activities, and by the absence of any direct state intervention. The global context that emerged after World War II was favourable to the development of international organizations regulating the increasingly global trade of textiles and garments. Though these industries had a long tradition in Macau, these global conditions stimulated further the development of export-oriented industries in a place with limited labour and capital resources. The local entrepreneurs of the textile and garments businesses are integrated into vaster networks of investment, production and distribution, operating in the Mainland and in Hong Kong. These industries will thus provide a ‘classical’ example of how the network type of economic organization impacts on the relative success or decline of these industries in Macau.

Channels through which Macau entrepreneurship has access to the state

The third and final element of state-business relations deals with the institutional media through which the economy is socially organized, and through which state and business actors connect to each other, and to society at large. In Macau, the widespread resource to ethnic, same-place or kinship relations to build up all kinds of social and economic networks conforms to claims that there is a distinct type of social organization, shaping the way Chinese do business in all settings. Hamilton claims that network organizations are social constructions reflecting normative and institutionalised prescriptions for the formation of cohesive groups that provide the framework for all types of activities – political, social and economic (1997: 283).
In Macau, Chinese networks have been modeled by a very large number and wide variety of voluntary associations (c.f. Sousa Santos 1998). The local society has a long tradition in associative practices to cater for the specific demands of local interest groups, sometimes with implicit (but never really outright) political objectives. Overtime, local associations have developed into increasingly complex and specialized socio-economic organizations, which have transformed contingent relations such as ethnicity, kinship, workplace, birthplace or neighbourhood into long-lasting and institutionalised relationships. They come in all shapes and sizes, they reflect the most varied interests, and the result is that there are around 900 associations in a territory comprising 450 000 inhabitants. Specifically the business-oriented associations, reflect network-based interests, which are not restricted to the territory, but are dominated by ethnic Chinese entrepreneurs.

Both Rutten (2003) and Visscher (2002) have concluded that notions of culture and ethnicity are pragmatic and strategically used in the development of business organizations/associations. Business associations and organizations cannot be regarded as monolithic because they can be an arena for internal factionalism and a means by which some entrepreneurs are able to enhance their position vis-à-vis the rest of the business group/community. The politics of business associations can thus be an entry point through which it is possible to reveal deeper lines of division in local society and changes in social alignments (Rutten 2003: 212).

All entrepreneurs use various strategies to develop contacts and spheres of influence with the state. In Macau, the localized leadership of business associations leads to other forms of leadership, in this case expressed in the capacity to influence government policy or to obtain privileges, including political functions. The crucial difference between business associations and public economic institutions is that associations can enforce reciprocity from member firms and individuals in a realm where states are incapable of sanctioning business (Ross Schneider 1998: 114). Like the state, business associations can provide a framework for social, economic and political arrangements by institutionalising durable relationships which imply feelings of recognition, obligation (and trust) among its participants.

The business associations are an important element of Macau’s institutional context and provide an entry point to understand the essence of local state-society relations, and to answer to what extent notions of ethnicity and regionality impact on patterns of business organization and state-business relations. This is because, once applied to Chinese societies, the explanations for the rise and development of business networks and organizations usually gain a cultural twist. While unequivocally explaining the similarities among Chinese businessmen in the Mainland and overseas, they sometimes fail to see the subtle differences that characterize their practices and organizational arrangements, across cities and regions, across economic sectors and even across generations.
1.5. Methodology

The research leading to this thesis was conducted in 3 fieldwork trips to Macau: the first between October 2001 and May 2002; the second between January and April 2004 and the third in July/August 2004. Additionally, in the many occasions that I was in Lisbon, I took these opportunities to consult and/or acquire academic literature on Macau not available in the Netherlands, as well as conducting interviews with former Macau government officials of Portuguese nationality.

Throughout the fieldwork periods, the research was carried through several stages. In the first stage, I made a survey on relevant secondary literature on Macau not available in the Netherlands, or scarcely in Portugal, but widely available in the field; specifically at the Center of Macau Studies, at the main library of the University of Macau, at the Macau Historical Archive and at the library of the Macau International Institute (IPIM). In the second stage, I made surveys on all relevant legal documents and policy documents and reports available at the Macau SAR government departments. I visited libraries at the Macau Statistics and Census Department, the Macau Labour and Employment Department, the Centre for Research and Data Processing of the Macau Economic Services Department and the Research Centre of the Macau Investment Promotion Institute. In the third stage, I’ve compiled business reports from the local associations and mixed policy reports from think tank groups, available at the IPIM, at the Macau Economic Services and at the local associations’ websites.

In this study, I have used a combination of secondary sources (books, articles, policy reports, policy documents, statistics, legal texts, and press and media sources) and in-depth interviews with local government officials and entrepreneurs, to compile evidence for the arguments presented in the following chapters.

1.5.1. Secondary Sources

The bulk of the literature on Macau can be classified in historical studies (cf. de Jesus 1990, Boxer 1948, Gunn 1996, Mesquitela 1995, Fok 1991, Wu 1999, Lima 1999); economic studies (cf. Chan 2000, Ieong and Siu 1997, Mayura 1999, Cremer 1991, Cremer et al. 1991) and politico-legal studies (cf. Lo 1995, 1999; R.L. Edmonds 1989, Cannas 1992, F.G.Pereira 1995). This research has relied on available literature from all these disciplinary approaches, in order to formulate an analysis that pays attention to both political and economic aspects of state-business relations in Macau. This study attempts to fight the scarcity in recent research produced on Macau, and attempts to bridge different traditions into a multidisciplinary thesis on Macau’s government and business relations and patterns over time.
The documents consulted in this research are either in Portuguese or English. As my knowledge of written Chinese is still insufficient, sources in Chinese were consulted when translated to English, either through official translations (policy and legal documents) or by local assistants (press sources, websites and business publications). Portuguese is one of Macau’s official languages and therefore policy reports, policy documents, decree-laws and constitutional texts are all bi-lingual (Portuguese and Chinese). In references to secondary sources, written documents and other sources of primary data, which are originally in Portuguese, the translation is mine. The documents in English were usually translations from original documents in Chinese, when not written originally in that language.

The purpose in compiling different types of written documents – decree laws, policy reports, guidelines, statistics and constitutional texts – was to analyse policy changes and government strategies throughout the ‘transition period’, ranging from circa 1976 up to 1999. The documents produced after Macau’s integration in China constitute a bulk of new data, which trace the most recent political and economic developments, and are thus inserted in a chronological description of Macau’s political and economic evolution, before and after the transition. The collected written data was compiled along a distinction between government sources and business associations’ sources. Yet, a number of documents issued during and after the transition period have a mixed origin, i.e., some of the documents analysed in this thesis are result of think-tanks and special joint state-business committees on specific economic policy issues.

This study also contains many references to newspapers, articles in magazines and in other periodical publications, in Portuguese and English. There are some references to Chinese language newspapers, either in the original form – translated by my fieldwork assistants – or translated to Portuguese or English, when cited in the local newspapers. Apart from the references to background and opinion articles written by identified journalists, press references mention the name of the publication and its respective date. Besides press sources, other media were also consulted, specifically television documentaries, produced and broadcasted in Macau and in Portugal. References to this kind of sources can be found as citations from the interviews’ transcriptions, ceded to me by one of the authors, or as general reference to documentary itself – in this case videotaped media sources.

1.5.2. Interviews

In-depth interviews were used not only to fill the gaps in the written information, but also to consult on practical aspects of conducting research in Macau, to get access to written sources, and to extract the opinions and views of key local figures.
For this thesis, these interviews were of great importance, both to test hypotheses and to get oral accounts and testimonies of recent and less recent facts and occurrences. Additionally, the use of in-depth interviews was fundamental in finding current perceptions and opinions of government and business actors on a wide range of issues, although focusing on three main topics – textiles and garments’ industries, the gambling sector and post-transitions economic and political developments. These interviews were conducted mostly in Macau, during three periods: from October 2001 to May 2002, January-April 2004 and July-August 2004. Most of the interviewees received me in their offices or in meeting-rooms, together with other secretaries, assistants and translators. Other interviews had a more informal setting, and are more accurately described as long discussions with local informants and acquaintances, of which I kept short-hand notes. From the more formal interviews, I kept audio records, when allowed by my interviewees. It is difficult to give an accurate number of all the interviews conducted in this study, if one includes all informal consultations to local experts, academics and writers. From these interviews, 18 are on audio record and 35 groups of notes on informal discussions with informants and local experts.

Formal interviews include current and former members of the Macau government, including a Portuguese ex-Governor. Regarding current government officials, I have interviewed heads of department, legal and policy advisors in government departments – such as the Macau Economic Services, Labour and Employment Department, Macau’s Investment Promotion Institute and the Macau Centre for Productivity and Technology Transfer – and current deputies to the local Legislative Assembly. Regarding business actors, and having into account that current government officials were once influential private entrepreneurs, the logic was to find entrepreneurs, either engaged in the economic sectors chosen as case-studies, and/or actively engaged in Macau’s business associations. The choice for in-depth interviews was very useful because the functions of many of my interviewees overlapped. For example, deputies to the Macau Legislative Assembly, who were also private entrepreneurs and members of local associations or government officials that were ex-entrepreneurs. Apart from these two main groups of interviewees, I had also the opportunity to talk – informally or through appointment – with members of the local labour union, with local writers, academics, journalists and Portuguese consultants and advisors to the local government, multinationals and banks. The findings from these interviews are presented in the form of the case-studies, in which the interviewees have provided specific information about facts, figures and individuals. These findings have also been evaluated along different or similar opinions on the same topic, thus crucially helping to assess the position, impact and effect of government policies, economic and political trends, and their confirmation (or not) of written documents and press sources.
1.6. Conclusion

In the first part of this chapter, I have reviewed general discussions and the main arguments explaining what the impact of globalization has been in the development of capitalist economies in East Asia, in particular, in China. The claim that globalization brings divergence in the ways capitalist development has taken shape across East Asian countries has been convincingly used to explain, for example, how the network structure of these economies shows that they have different business patterns as compared to those existing in Western economies (cf. Hamilton et al 1996). The divergence claim has been used also to explain that the institutional ties linking business to the state in East Asia are also different from the West, because they are the product of the distinct cultural and political systems that developed in East Asian societies (cf. Biggart and Orrù 1997, Wong 1996, Ling 1996, Weber 1964). The focus on how Chinese entrepreneurs actually organize their businesses is very important in this thesis, but equally important is to see how patterns of business organization are influenced by political factors and by the state, assuming that there is indeed contextual variety of political and economic arrangements across space and time.

In relation to East Asia, Macau presents both similarities and differences with other Chinese cities and societies in the region, in terms of business patterns and political and cultural systems. For example, Macau’s colonial past has some similarities with Hong Kong or Singapore, yet only in certain time periods. Macau’s much longer colonial trajectory presents a number of particular characteristics, which have been determinant in turning it into a modern Chinese capitalist society with distinct features, the most notable being the current gambling-based economy. Macau shares also similarities with overseas Chinese communities, spread across East and Southeast Asia, in that local Chinese businessmen have invested massively in the Mainland – especially in their home villages, cities or regions – under the specific conditions granted by the PRC’s ‘open-door’ policies. Since 1978, the economic reform process in China increasingly facilitated the inflow of investment from overseas, especially from business groups operating in politically antagonistic territories like pre-transition Macau and Hong Kong, and Taiwan.

Rather than comparing patterns of business organization and types of states across China, this thesis uses a state-business relations perspective to explain how the study of Macau’s specific state and business patterns give an insight into how capitalism works in modern-day China, and what its core characteristics are. This study of state-business relations in Macau operates within the divergence argument, i.e., that globalization has produced different effects in different countries, because of each one’s specific natural and socio-cultural characteristics. However, in this
study the divergence issue is radicalised in that new economic and political convergences between the PRC and Chinese societies and communities lead also to different political and economic arrangements. This thesis thus re-scales and re-historicises the Chinese capitalism debate by focusing on the emergence of a specific pattern of state-business relations in Macau, in a context of political transition – from Portuguese territory to Chinese special region – and economic regionalization – the adjustment of the local economy to a globalizing China.