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

Trigo de Sousa, M.I.R.B.

Citation for published version (APA):
CHAPTER 4.

Macau’s Integration in the Chinese State:
post-handover political and economic trends (1999-2004)

4.1. Introduction

On 20th December 1999, Macau became a Special Administrative Region of the PRC, in a ceremony full of political symbolism, and included the presence of Portugal’s and China’s top political leaders. The substitution of the Portuguese by the PRC’s flag, and the display of Macau’s own flag, concluded the process of national re-unification, completed with the People’s Liberation Army crossing through the border gates into Macau for the first time, welcomed and applauded by the crowds of people in the streets.

This chapter examines the fundamental political and economic changes that have occurred in Macau after the handover. These include the replacement of the Portuguese administration by a local, Chinese one; policy shifts towards more government involvement in the regulation of the local economy, and the implementation of a regional economic integration agreement with China – the Macau-China Closer Economic Partnership Agreement (CEPA). These developments have transformed political and economic relations between Macau and the Mainland, and local state-society relations, especially those between the new government and the largest social and economic associations. Assuming that the handover has fundamentally changed these two sets of relations, the question is to what extent local state-business relations are now a result of long-lasting, local-specific patterns, and/or from the political and economic changes brought by the handover. As seen in Chapters 2 and 3, Macau’s a-typical colonial past and a-typical de-colonization process shaped
political regimes and patterns of government-business interactions for a long time. Besides its obvious political significance, as displayed in the 1999 ceremony, has the handover broken this pattern, or has it simply given it a make-over?

The chapter is divided into four sections. The first section starts by giving an overview of the developments that conducted the implementation of the Macau-Mainland CEPA. It first looks into China’s strategy in becoming a global economic power, and at the pre-existing economic patterns between Macau and the Guangdong region in Mainland China. It then looks into the contents of the Macau-China CEPA, concluded in 2003, from a perspective of political and economic convergence between China’s path towards global economic integration and Macau’s path towards regional integration.

The second and third sections describe changes in Macau’s state and business patterns, which have occurred within a climate of increased regional integration, mostly generated by CEPA. The change of government in Macau, the booming economic climate in China and the implementation of CEPA are believed to have stimulated local economic growth and given new opportunities for Macau’s businesses and a new political capacity to Macau’s post-handover government. The fact that these changes have occurred after the transition raises questions about the kind of influence that local business associations’ currently exert over the government (and vice-versa), and the kind of state-business relations which exist in the new context. Thus, both sections look into the kind of institutional change brought about by the transition, for example through the effects of the change of government and of its political program to rule the territory, or the creation of new associations and state-business organizations in the post-handover scenario.


Macau’s transformation into a Chinese Special Administrative Region (SAR) has coincided with a climate of international euphoria around China’s arrival and inclusion in the global market economy – specifically through its long-awaited WTO accession in 2001. China’s accession to the World Trade Organisation is a symbolic and most evident aspect of its full integration into the global economy.

Macau and Hong Kong are currently China’s Special Administrative Regions (SARs). In that quality, they enjoy a high degree of political and economic autonomy, which already existed, but which has been preserved with the transition.
However, the SAR status also entailed a re-definition of that same autonomy which should be in line with the PRC’s political and economic interests. From this perspective, Macau and Hong Kong constitute no exception to the decentralization model contained in the PRC’s developmental strategies.

The economic links among the SARs and Mainland China have always been significant, but gained a new force with the PRC’s open door policies back in the late 1970s. Twenty years later, ‘China’s accession to the WTO has called for a new pattern of economic relations among the Mainland, Hong Kong and Macau’, according to the Foreign Trade Minister of the PRC. In the particular cases of Hong Kong and Macau, the move towards deeper regional economic integration with China has taken the shape of two separate, but very similar, formal economic agreements between the two SARs and the PRC. These economic agreements are known as Closer Economic Partnership Agreements (CEPA): one between Hong Kong and the Mainland, and the other between Macau and the Mainland. They were both signed in 2003, and both came into force in January 2004.

In a nutshell, the PRC offers – through CEPA – favourable economic access and business conditions to Hong Kong and Macau, before it opens its markets to international trade and investments part of its WTO commitments. This form of economic integration brings a number of opportunities and challenges for entrepreneurs from both the SARs and China. The CEPA specifically liberalizes trade in goods and services between the two SARs and the Mainland, thus bringing fresh economic opportunities for Macau and Hong Kong’s businesses. According to a Macau entrepreneur, before the CEPA he would target the Hong Kong and European markets: ‘now we have the golden opportunity to enter the Mainland market, on more competitive prices: a leather belt would have been sold for eight or ten dollars last year, but now we can sell it in China for five.’

The CEPA agreements, as we shall see through the Macau case, constitute an example of political bargaining between local and central government to achieve formal regional economic integration. CEPA includes a set of rules concerning the facilitation of trade in goods and services, which uses international principles of trade reciprocity and non-discrimination, but which are combined with the home-grown principle of ‘one country, two systems’. In practice, this means that Macau and Hong Kong have favourable access to Chinese markets before all the other WTO members because they are already part of China.

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4.2.1. China’s strategies of integration into the global economy: the path towards WTO and CEPA

The project of Chinese ‘market socialism’, as it was developed in the 1980s and 1990s, reflected a clear intention to integrate China into the global economy and to prove that it was possible to use capitalism as a means to achieve fast growth, without necessarily changing the political system. Chinese market socialism entailed that the state regulated the markets and the markets regulated the enterprises, which used China’s lower-cost opportunities to compete on the global stage (Silveira 2001: 1149). Chinese market socialism would not be complete without one of its main pillars, the ‘one country, two systems’ doctrine, which like ‘market socialism’ has become a conciliation, rather than a contradiction of terms. The one country, two systems was originally directed to solve the political questions of Hong Kong, Macau and Taiwan, but its reference to a ‘second’ system – the capitalist one – was soon picked up by those regions eager to industrialize and develop links with the global economy. In practice, the state partially regulated the markets, by selectively giving more administrative autonomy and economic decision-making power to cities like Shenzhen, Zhuhai and also Shanghai.

Since the beginning of China’s state-led economic reforms in 1978, local and provincial governments have achieved a wide extent of autonomy in implementing market-oriented economic policies in their respective municipalities, provinces and special regions. Decision making de-centralization was an essential ingredient to activate the ‘open-door’ policies. These policies opened some Chinese regions to foreign investment, under a set of special rules and government institutions, in charge of controlling and managing these flows (cf. Yabuki 1995, Breslin 1996, Silveira 2001). In 1978, four Special Economic Zones (SEZ) were created for this effect: Shenzhen, Zhuhai and Shantou (all in Guangdong province) and Xiamen (in Fujian Province). They were meant to attract foreign investment into the Mainland via these zones, but they also accelerated economic cooperation and integration with Macau, Hong Kong and Taiwan during the 1980s. Other Chinese overseas communities (from Singapore, Malaysia and Indonesia, Australia and the USA) took the opportunity of the ‘open door’ strategies, thus engrossing the flows of foreign investment, at least in its initial phase (Silveira 2001: 1145).

The SEZs served as the central government’s ‘laboratories for market experimentation’ (Van Kemenade 1997: 185). They soon were in a favoured position to receive central government support, vis-à-vis other regions or municipalities, in the form of special funds for large scale infrastructure projects, such as the construction of highways, airports, deep-water ports, and the overall modernization of transportation networks. The result was that the SEZs rapidly became booming industrial centres using outside capital and technology and combining it with a
capitalist-oriented management of mostly export-oriented industries. Provinces like Guangdong and Fujian boomed throughout the 1980s and 1990s. The respective provincial authorities gained wider administrative and legal powers to reverse the situation of economic isolation and impoverishment of the previous decades. For example, in 1978, Shenzhen was a village of about 20,000 fishermen and cities like Dongguan, which currently counts 1.3 million people, did not even exist (MacPherson 1995: 46). Places like Shenzhen and Zhuhai, once small fishing villages, have since evolved into booming industrial urban centres and have gained municipality status, occupying thus a higher position in the PRC’s politico-administrative structure. In a short period of time, these initially export-oriented and labour intensive industrial zones evolved into densely populated urban centres. In only ten or fifteen years, Shenzhen and Zhuhai went from agricultural to fast growing urban centres, combining industrial zones with ever expanding residential neighbourhoods. Tall buildings and skyscrapers, shopping malls and a multitude of entertainment areas, with massage and sauna parlours, discotheques and karaoke bars provide physical evidence that these places again grew quickly from industrial zones to more complex economies, based on a growing demand for a wide range of services, with a huge increase in foreign investment and with a growing share in the national and global economies.

China’s efforts to become part of the WTO shows well how the importance of the global market was taken into account in the PRC’s development strategy, and how this has been regarded as a positive factor for the economic growth and stability of the country. After more than a decade of negotiations, in 1999 the PRC signed an historical agreement with the US, with significant concessions on market access issues, which paved the way to China’s official WTO accession in December 2001 (Drysdale et al. 2000: 2). For the PRC, WTO membership brings unequivocal commitments to reform, but now within a global framework: commitments to the goal of free trade among WTO members and commitments to comply with the rules of the international trading system. China’s entry into the WTO has brought important changes both to the international trading system as well as to the PRC’s domestic economic environment (Drysdale 2000: 102). It affects the behaviour of countries and regions such as the USA, Japan and the EU in their policy towards China, and it affects Chinese policy behaviour in domestic trade and investment rules and practices. This, in turn, affects the domestic environment in which foreign and local firms have to operate and the behaviour of the firms themselves (Drysdale 2000: 103). In this context, administrative decentralization leading to greater empowerment of local and regional governments has been indicative of an increasing tendency towards economic regionalization, especially after the handovers of Hong Kong in 1997 and Macau in 1999. For example, in July 2001, Chinese trade officials from
Guangdong’s provincial government proposed that Hong Kong, Macau and Guangdong should develop into an economically integrated region – ‘the Pearl River Delta Economic Circle’ – which would become one of the two main logistics centres in China: one the import-oriented Yangtze Delta (comprising coastal provinces around Shanghai) and the second the export-oriented Pearl River Delta.\(^3\) In October 2003, Chinese academics invited to study the proposal by the Guangdong government for an enlarged Pan-Pearl River Delta region declared that this plan would help inland provinces to benefit from the Macau and Hong Kong CEPA agreements.\(^4\) The Pan-Pearl River Delta economic region would encompass – besides Guangdong, Hong Kong and Macau – the provinces of Hainan, Fujian, Jiangxi, Yunnan, Hunan, Guizhou and Sichuan. Some of these a long way from the Pearl River Delta, and it would also include Fujian and Hainan, which do not have anything to do with the Pearl River. One academic from Guangdong’s Zhongshan University called it the ‘Great South China Economic Region’: ‘Guangdong, Hong Kong and Macau have access to capital, technology, skilled labour and access to international markets. The hinterland has labour, agriculture, water, energy and tourism resources.’ Not only would this plan in principle grant a larger hinterland to Hong Kong and Macau businesses, but would also put this huge aggregate region on a par with the Yangtze River Delta region.\(^5\) Another expert said that the Pan-Pearl River Delta region could potentially form a Free Trade Area with the ten ASEAN nations: ‘Since the Pearl River Delta as it is, is too small to be an ASEAN partner and since we cannot make the whole of China into an FTA, in terms of a Pan-Pearl River Delta economic area, this idea is in principle possible.’\(^6\)

The process of knitting together the Guangdong region with Hong Kong and Macau, has effectively begun with CEPA. Though initially, CEPA was not a central government’s idea, it has quickly become part of the PRC’s strategy to simultane-

\(^3\) The first step to achieve would be transport development, through the construction of expressways, railways and bridges to interlink Guangdong and the two SARs. These statements came after a succession of meetings with Hong Kong officials, who were very active in promoting this idea. The preliminary plan devised an international deep water port in the islands between Hong Kong and Macau, which are part of the Mainland. These would all be connected by a bridge spanning 32 km, integrating in such a way Hong Kong, Zhuhai and Macau. Guangdong officials favoured this idea for two reasons: ‘it would supplement Hong Kong’s Victoria Harbour’ and ‘Macau would therefore not need to reclaim more land’ (Chen Shenghe, Director of the Guangdong Trade Development Bureau, in \textit{China Daily}, 17 July 2001).

\(^4\) \textit{South China Morning Post (SCMP)}, 11 October 2003.

\(^5\) The Yangtze Delta Region is comprised of all provinces located on the basin between the Yellow and the Yangtze rivers up until Shanghai, which is now one of the most important services hubs in China.

\(^6\) \textit{SCMP}, 11 October 2003.
ously assert its own idea of domestic capitalism under the guidance of one centralized state, and its own political and economic position in the global economy. The CEPA is the materialization of the central government’s promise to simplify customs procedures and allow for freer mobility in goods, services, technology, capital and people between China and the SARs, without failing to comply with WTO international rules and practices. With these agreements, China has found a means to prepare a regional economic bloc, comparable to the EU or NAFTA, which does not defeat the logic of economic reform and actually reinforces China’s position in the WTO, in combination with Hong Kong and Macau.

4.2.2. An overview of the Macau-Guangdong economic relations

In 1978, when China began opening its economy, Hong Kong and Macau were still ‘foreign colonies’: Hong Kong ranked as an ‘Asian Manufacturing Tiger’ and although Guangdong was obviously close by, the access to its markets, to its people and labour was restricted to a few channels, mainly water, energy and food supply, and was conditioned by the political circumstances. Since the beginning of the open door policies, this province, one of the most impoverished regions in China, started to register ever rising levels of economic growth, in a similar fashion to Hong Kong or Taiwan’s experiences back in the 1960s (Chen 1994: 169). As time went by, businessmen from Hong Kong, Macau, Taiwan and overseas virtually ‘colonized’ the SEZs in the Pearl River Delta, mainly by subcontracting business activities and investing in local firms. The increase in outside investment provoked an urban explosion around labour-intensive manufacturing activities, while the regional governments set up modernized transportation networks of container ports, river ports, airports and highways.

The fast growth and development of the SEZs, especially of Zhuhai, has in many ways pre-empted Macau’s role as the natural gateway to China in the western part of the Pearl River Delta. In the period ranging from 1978 up until the handover, Macau shared very similar economic goals with Guangdong’s developing cities, especially Zhuhai. Both cities went through a period of economic diversification into upgraded industrial/manufacturing activities, ranging loosely from the mid-late 1970s to the late 1980s. Throughout the 1990s, both cities sought to develop and expand a modern services’ infrastructure, with the creation of airports, highways, bridges and real estate development. The Portuguese administration of the

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7 As seen in Chapters 2 and 3, the control of these channels was in the hands of regional authorities and, since 1949, in the hands of PRC monopoly groups such as the Nam Kwong.
late 1970s and 1980s did not expect that the SEZs would develop so fast and so soon compete with Macau in becoming the ‘second’ services hub in the region. In this sense, both the Portuguese administration and the local private sector had to adapt fast to these changing circumstances.

In the course of the 1980s and the 1990s, the economic complementarities between Macau’s entrepreneurs and their Mainland partners developed mostly in the form of subcontracting practices and out-processing activities in Guangdong for its export-oriented industries. However, Macau’s ‘comparative advantages’ in production and distribution of light industrial goods also dropped due to lower costs elsewhere. Moreover, local investment activities – contrasting with the situation between Hong Kong and Shenzhen – went further inland, beyond the Zhuhai SEZ. For Macau’s entrepreneurs, Zhuhai was never really an attractive place in which to invest because the cost differentials in labour, property or finance were not that significant in comparison to other locations further up the Western shores of the Delta. Macau businessmen have usually preferred to invest around Zhongshan, not only because of lower costs but also because many Macau entrepreneurs have their family origins in this region.

The Portuguese government of the late 1980s and 1990s engaged in massive investment in physical infrastructure with the crucial support of the Macau’s gaming monopoly group. This enormous investment effort consisted of, almost simultaneously, building another bridge between Macau and Taipa (Ponte da Amizade), the Macau airport, a new container port, the Lotus Bridge in the COTAI – which functions also as a border between Macau and the Mainland – as well as several important land-reclamation projects. The Portuguese attempt, albeit late, to develop Macau’s physical infrastructure was meant to guarantee the territory’s participation, not necessarily in the regional economy, but especially in the ‘global’ economy, in order to ‘break its dependency towards Hong Kong and to position itself as a Western PRD gateway economy vis-à-vis Zhuhai’s tunnel economy’ (António and Rosa 1996: 204). Relying on the territory’s ‘free-port economy’ status – which Zhuhai does not have – throughout the 1990s, the Portuguese shyly tried to capitalize on the internationalisation of the Macau services, even if their competitive value was in the surrounding region.

It should be noted that, still during the transition period, the Portuguese administration had studied a proposal to implement a free trade zone between Macau

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8 This point is further discussed in Chapter 6.
9 Interview with T.K.I., Macau February 2002.
10 Including the Coloane and Taipa Isthmus (COTAI), the NAPE and the ZAPE (reclaimed land areas around the outer harbour).
and the Mainland.\textsuperscript{11} The conclusion at the time was that in the face of such enormous difference in trade regimes between Macau and the PRC, it was impossible to establish and achieve integration between the two customs territories, because this would imply not only the integration of the tariff schemes, but also a common external trade policy, which would not be possible before the transition. The transitory nature of Macau’s government did not allow a fully-fledged government-to-government regional cooperation, resulting in overlapping projects and increased competition between these two cities for foreign and also Mainland investment. For example, in the years preceding the handover, the relationship between Macau and Zhuhai was one of competition for large infrastructure projects. The airports of Shenzhen, Zhuhai and Macau were all completed in 1995. The Macau Airport stopped offering inter-continental flights to become a busy regional air-hub in 1999. Offering more than ten flights a day to and from Taipei and connecting them with the more than ten daily flights to Shanghai and other large Chinese cities, the relative under-usage of Macau’s airport also owes to the fact that the overwhelming majority of tourist and business travelers usually comes into Macau through land or sea borders.\textsuperscript{12}

The PRC’s open-door policies logically attracted investment from Macau into the Mainland, but the reverse also happened, with the increase in investment flows from the Mainland into Macau, during the transition period. In 1998, Mainland Chinese businessmen were the largest investors in Macau, with a share of 60 per cent in the financial sector, 50 per cent in insurance, 80 per cent in construction and real estate, 30 per cent in import-export trade and 50 per cent in tourism infrastructure.\textsuperscript{13} Although until 1999 there were no statistics available in Macau relating either to incoming or outgoing investment, Chan (2000: 53) relies on Chinese sources to claim that the PRC and Hong Kong are the largest outside investors, which together account for around 70 per cent of incoming foreign direct investment in Macau.\textsuperscript{14} Hong Kong’s investment has traditionally concentrated in industrial manufacturing and services, which contrasts with the domination of PRC capital in the construc-

\begin{itemize}
  \item \textsuperscript{11} ‘Proposta de Implementação de Comércio livre entre Macau e a RPC e de Isenção de Direitos Aduaneiros’, Macau Government, July 1996.
  \item \textsuperscript{12} \textit{Ponto Final}, 5 March 2001.
  \item \textsuperscript{13} \textit{Jornal a Tribuna de Macau}, 02 February 1999.
  \item \textsuperscript{14} There are statistics available on Macau’s investment in Guangdong, but these are Chinese official statistics and aggregate figures from HK and Macau. No statistical data exists on the volume of Macau’s investment in China, at least data that are issued by local authorities and available to the public.
\end{itemize}
tion and property development sectors.\textsuperscript{15} This is said to have provoked the ‘hyper-urbanization’ of Macau, with continuous construction in the areas close to the northern border and on Taipa Island (Jalles 1998: 720). Besides the impressive Bank of China local headquarters and branches, there are more than 400 Mainland firms in Macau and their businesses cover trade, finance, tourism services, restaurants and hotels, property development and construction (Jalles 2001: 24).

\textbf{4.2.3. Hong Kong and the origins of the CEPA}

Hong Kong has been experiencing an economic recession since the 1997 Asian Crisis, the same year of its handover and of its new status as a China SAR. In a time of recession, the mild political crisis (especially around what is locally perceived as an inadequate government), and the growing importance of Shanghai as China’s financial and trading centre constituted push factors for the proposal for a free trade area, or a ‘closer economic partnership agreement’ (CEPA) with China.

In 2001, the Hong Kong-Guangdong Cooperation Joint Group acknowledged the need to create a high-tech joint industrial zone, in order to make economic development more even between the SAR and Guangdong since differences in legal systems had in the past prevented these economies to merge further.\textsuperscript{16} The possibility to establish a free trade area, specifically between Hong Kong and the Mainland was for the first time reported in December 2001, in the same month of China’s official accession to the WTO. According to the local press, the plan was initially proposed by the Hong Kong Chinese Chamber of Commerce (HKCCC) and after consultation with senior Hong Kong officials and the PRC’s Ministry of Foreign Trade and Economic Relations (MOFTER), the term ‘closer economic partnership agreement’ was chosen over the term Free Trade Area, because it better reflected the special characteristics of the arrangement.\textsuperscript{17}

The Hong Kong delegation presented the project of a Hong Kong-Shenzhen CEPA in 2002, during the PRC’s annual People’s Political Consultative Conference. It proposed the removal of trade barriers and market entry for virtually all kinds of services in China, while in turn, Hong Kong would offer equally facilitated market

\textsuperscript{15} In 1999, it was estimated that Mainland firms owned assets of MOP 50 billion in the construction and property sector (\textit{Macao Daily}, 15 June 1999).

\textsuperscript{16} Concrete proposals coming out of this conference were basically two: to keep an around-the-clock open border between Shenzhen and Hong Kong, and to proceed with plans to build a bridge linking Shenzhen, Zhuhai, Hong Kong and Macau (\textit{SCMP}, 23 August 2001).

\textsuperscript{17} \textit{Hong Kong I-Mail}, 18 March 2002.
access for Mainland professionals. The CEPA would thus secure immediate access for HKSAR companies to the Mainland market, before the schedule agreed to by the PRC to open its markets in the framework of its WTO commitments. While the foreign business communities prepared themselves for that moment, from January 2004 onwards, the two CEPA plans give earlier and facilitated market access to Hong Kong and Macau businesses. The CEPA plans immediately rose to the top of the central government’s priorities. Already in 2002, the relevant government departments, especially the MOFTER, started to map out timetables to establish CEPA as soon as possible. The central government also authorized Guangdong’s provincial government and Shenzhen and Zhuhai’s municipal governments to initiate talks with the MSAR and HKSAR governments to select particular spaces for joint-economic zones.

During the year 2002, the CEPA was a topic that appeared frequently in the Hong Kong newspapers. Amidst a climate of discontent towards Hong Kong’s Chief Executive’s poor performance in times of economic recession, for the Hong Kong Chinese business community alone this agreement made sense. The economic ties between Shenzhen and HK had been ‘firmly established throughout the years, with benefits for both parties; these links would continue even without the CEPA’, in the words of the vice-chairman of the HKCCC. In declarations to the SCMP, the HKCCC vice-chairman said it was encouraging to hear top government officials calling for more economic integration: ‘[CEPA] is not exactly the case of political leaders getting ahead of the trends; it is rather that Chinese rhetoric has caught up with economic reality’.

In practical terms, the CEPA is in line with the interests of the Hong Kong business community, because it erases obstacles to their economic activities in the Mainland. It re-defines principles of mutual recognition and non-discrimination between Hong Kong’s and PRC’s companies, and between Macau and PRC’s companies. In the words of a Hong Kong businessman: ‘We are all part of China anyway, so why should a Hong Kong company be treated like any other foreign entity when doing business in China?’

It was clear from the beginning that Hong Kong and Macau would enjoy the same conditions, but the agreements were conducted separately. Although Hong Kong and Macau have the same constitutional status, the central government main-

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18 China Daily, 12 March 2002.
tains separate political relations with both territories. The regional economic integration of Hong Kong and Macau into the Mainland does not entail deeper integration mechanisms between the two special administrative regions, which continue to be politically separate territories, but which nevertheless are integrated through old and strong business ties.

### 4.2.4. The Macau-China CEPA

The CEPA is an economic agreement liberalizing trade in goods and services between the SARs and the Mainland. By removing customs duties and by giving non-discriminatory treatment to the SARs’ services companies, the CEPA establishes an ‘economic zone with the characteristics of a free trade zone’.\(^\text{23}\) It is a *sui generis* free trade zone because it establishes bilateral exemptions in trade, services and investment flows between separate customs territories, which belong to the same country or nation-state.\(^\text{24}\)

The Macau-Mainland CEPA was signed in October 2003, three months after the signing of the Hong Kong-Mainland CEPA and exactly four months after a delegation of Macau’s top government officials went to Beijing to officially launch negotiations.\(^\text{25}\) In the few negotiation rounds to set the terms of the agreement, the MSAR government hosted several meetings with the local business sector, to prepare and negotiate the new trading conditions. For the Macau Secretary of Economy and Finances, Francis Tam, the CEPA represents a ‘way of enlarging the volume and space of bilateral cooperation between China and Macau,’ and the ‘high commitment, attention and support given by the central government to increase prosperity and development of its special administrative regions.’\(^\text{26}\) The agreement is also intended to support local government policies in adequately diversifying Macau’s economic structure and to strengthen its role as a regional trade platform: ‘the CEPA is a strategy that responds to both trends of globalization and regionalization by promoting bilateral complementarities between Macau and China.’\(^\text{27}\)

Before CEPA, the trade between Macau and China was conditional upon the payment of customs duties and taxes (tariffs) and the services provided by Macau.

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\(^{23}\) According to the Vice-Minister of Foreign Trade of the PRC, An Min (*Macau Image*, #39, 2003, p.8.)

\(^{24}\) Macau-Mailand CEPA (MMCEPA), 2003, Preamble.

\(^{25}\) MSAR Information and Communication Cabinet (MSAR GCS), 17 June 2003.

\(^{26}\) MSAR GCS, 20 June 2003.

\(^{27}\) MSAR GCS, 20 June 2003.
companies were subject to several restrictions. Depending of the type of services, the Macau businesses could only enter the Chinese market through a joint-venture with a Mainland counterpart. Since CEPA, this situation has changed. The Macau-Mainland CEPA covers three areas: liberalization of the trade in goods; liberalization of services’ trade, and trade and investment facilitation clauses. Regarding *trade in goods*, the agreement abolishes tariffs on 273 categories of products, which cover about 96 per cent of ‘made in Macau’ products that are exported to international markets.\(^{28}\) For other goods not yet included in the agreement, the Mainland has agreed to apply zero-tariffs no later than January 2006.\(^{29}\) The Macau government expects to save several billion Patacas worth of tariff payments per year, while it also agrees to bind its tariff regime to zero-import tariff to all goods from the Mainland.\(^{30}\) Encouraged by the absence of tariffs, it is expected that more of Macau’s and Hong Kong’s products will reach the Mainland’s shops and shopping malls. The same for Mainland products, although these have reached and dominated Macau’s markets for a long time.

Regarding *trade in services*, the PRC has agreed to grant concessions on market access for eighteen service sectors.\(^{31}\) However, there are still differences in the conditions of access, depending on the type of service.\(^{32}\) From all the services covered by the CEPA, legal services, added-value telecommunications and insurance are subject to a joint venture or joint-partnership with a Mainland counterpart, but in which (contrary to joint ventures with other foreign investors) Macau’s businesses can take more than 50 per cent of the shares of the enterprise. In all the other services’ categories, the CEPA allows for the possibility of Macau’s firms to set up wholly owned businesses in the Mainland and receive the same legal treatment as a Main-

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28 The extensive total list of 273 items/products include, for example food and beverages, textiles and clothing products, electronics and electric goods, paper articles, plastic articles, pharmaceuticals, etc. (MMCEPA, chapter II, art.5).

29 MMCEPA, chapter II, art.5, 2.

30 MMCEPA, chapter II, art.7.

31 These are: legal services, accounting, architecture, medical and dental services, real estate, advertising, management consulting, convention and exhibition services, added-value telecommunications, audio-visual, construction, distribution, insurance, banking, securities services, tourism, transport and logistics.

32 For instance, in legal services, both law firms and practicing lawyers of Macau can only act in partnership with Mainland firms. Additionally, only lawyers who have passed the required examination by the PRC authorities are allowed to handle legal work in the Mainland. In architectural and engineering services, firms from Macau are allowed to operate in the Mainland on a wholly owned basis, which means that here the joint venture or required partnership with mainland firms does not necessarily apply.
land firm, though under the special category of ‘Macau Services Supplier’. The applicants to become a Service Supplier in China are subject to requirements that vary across sectors, but in which they have to possess the required, or equivalent, professional qualifications as their Mainland counterparts. An interesting feature of the agreement is that there is a blank page in it entitled ‘Agreement on opening up of Macau’s services sector to the Mainland’. This is because prior to CEPA, Macau already offered facilitated access to Chinese firms. Chinese services’ businesses have operated in Macau for a long time, and so have Macau’s businesses in China, but not in services.

In Macau, government officials and entrepreneurs alike consider the liberalization of some service sectors as a ‘gift’ from the central government: it came first to assist Hong Kong, but Macau benefits the same way and has now the possibility to offer a wider range of value-added services in China. According to China’s WTO commitments, until 2007, foreign firms are only allowed to come into China through joint-ventures, or business partnerships with Mainland firms. After 2007, these measures are scheduled to be abolished, i.e., foreign firms will be allowed to acquire the majority of shares or set up their wholly-owned businesses, for example in the telecommunications sector. The CEPA, on the contrary, allows local telecom firms to set-up wholly owned businesses and branches and acquire Mainland firms, from 1 January 2004 onwards. Under the CEPA, Macau and Hong Kong businessmen are also able to circumvent geographical restrictions for the supply of services and are allowed to take part in nation-wide distribution services. In selected sectors they can even wholly acquire Chinese domestic firms. In this sense, the capacity of Macau’s services firms to enter the Chinese market is indeed a nice prospect for local consultants, distributors and traders, because they have a comparative advantage in regard to foreign companies from Asia, the U.S. or Europe. This advantage is of a socio-cultural nature; they are better equipped because they have the ‘know-how’ of the way businesses are conducted in China. For potential investors from America, Europe or Asia, it does help to possess knowledge of the Chinese language, and at a very minimum, familiarity with Chinese laws and ways of dealing with government officials. Without at least a Chinese business partner, and without

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33 This can be any natural or juridical person, registered and organized in compliance with the laws of the Macau SAR. Natural persons (individual business owners) should be permanent residents of the territory, and for juridical persons, the companies should be organized under the Macau Commercial Code Registry.

34 MMCEPA, p.32 (Portuguese translation).


the range of connections needed to establish a business in China, it will for the mo-
ment remain very difficult for any foreign company or investor to enter the Chinese
markets. However, for most of Macau’s businesses this does not constitute a prob-
lem, because they have developed their own organizations and networks that have
enabled them for quite some time, to protect their business interests in China. CEPA
is the ‘cherry on top of the cake’ for Macau’s businessmen, who are now on an equal
footing with any Mainland entrepreneur. The CEPA thus brings a unique opportu-
nity for Macau’s entrepreneurs ‘to expand their development space by entering the
Chinese market on equal terms with any other Chinese citizen.’

37

4.3. Political patterns
and institutional change in the MSAR government

Besides the economic opportunities it provides for local businesses, the CEPA has
also conferred a new political capacity to the local government in its role to partici-
pate and intervene more actively both in the local and regional economies. This is
part of a new trend in the post-handover government which deserves some attention.

The aim of this section is to find out whether the handover has produced dif-
fferent political patterns, vis-à-vis those from the pre-handover period described in
Chapter 3. Apart from CEPA, the MSAR government has taken specific economic
measures and policies after the handover. Macau’s new political condition points to
a new trend of increased government involvement in the local society and economy.

4.3.1. The political system and the relationship Macau-China

In the replacement of the Portuguese executive by a Chinese one, the political
architecture of Macau – an executive-led and closed political system with few and
restricted channels of political participation and representation – was basically left
unchanged, according to the principle of administrative continuity, as announced in
the 1993 Basic Law. The maintenance of a closed, elitist, governmental system in
Macau is a legacy from the Portuguese times, in the sense that it had been developed
by the Portuguese administrators to specifically operate Macau’s de-colonisation,
not towards independence but towards reintegration in the Chinese state.

According to the Basic Law, the Macau SAR enjoys full and independent executive, legislative and judicial power, except in matters concerning external representation and defense. 38 The Basic Law also admits the possibility that the MSAR may have its powers extended, either by the People’s National Congress or by the central government (article 20). This means that Macau’s basic powers (executive, legislative and judicial) enjoy a high degree of autonomy, but they are still ‘delegated’ by China’s central government. The political system of Macau should thus be in conformity with the principle of ‘one country, two systems’ and the principle of autonomy of local institutions. The principle of the ‘one country, two systems’ consolidates the political legitimacy and autonomy of Macau’s government, in harmony with China’s own political system. ‘Macau is both an element of the Chinese nation and an autonomous party in the world economy; (…) our development opportunities are determined by our country’s progress.’ 39 The ‘one country, two systems’ is presented also as an economic advantage, to the extent that Macau’s system adapts to the interests of the country, in this case China, so that they become one and the same. According to one local deputy, ‘one country, two systems’ in practice means that ‘(…) if the situation is not good in China, then it is not good for us either (…) Our system is politically and economically self-sufficient, I believe it is a good enough system, but provided that China remains as it is.’ 40 

At the top of the local political system is the Chief Executive. He is both the chief of the executive government and Macau’s highest political representative. At the local level, the Chief Executive is chosen by a special electoral commission, composed of 300 members representing local interests and sectors. Based on the electoral results, the central government then approves and nominates the Chief Executive. 41 In relation to the Legislative Assembly, the Chief Executive does not have to respond to its deputies, only to his Secretaries (ministers). 42 He is in fact Macau’s political chief as highest representative and as the leader of the government. This concentration of powers in the hands of one individual is similar to the previous colonial situation. However, the colonial Governor did not have to respond to Macau’s population, the same way the Chief Executive does, because the Governor was nominated outside Macau. In this sense, even if restricted, the

38 Basic Law, 1993, articles 12, 13, 14, 15, 16.
39 LAG’s, 2000, p.8.
41 Basic Law, 1993, Article 47.
42 The Chief Executive may also refuse legislation proposals from the local deputies, he may dissolve the Legislative assembly, but he needs the assembly’s approval of the annual budget. (Basic Law, articles, 50, 51, 52).
indirect election of the Chief Executive has introduced a semi-democratic component into Macau’s political system. At the same time, the Chief Executive has to respond to the central government, in a similar way to the colonial Governor in relation to the Portuguese government.

After the handover, the Macau Chief Executive possesses two key political functions: he is the local chief of government and Macau’s highest representative (abroad or in China). This situation differs significantly from the previous one, in which people like Ho Cheng Peng (see chapter 3) were ‘de facto’ representatives of the PRC in Macau, and not the Portuguese government. In China, the Macau Chief Executive is a permanent member of the People’s National Assembly and of the Standing Committee of the People’s Consultative Conference in Beijing. Prior to the handover, the appointment of key government positions in Macau depended on political affiliations in Portugal’s ruling parties. Today, the individuals that hold those positions in Macau now depend, at the very least, on a pro-Beijing political attitude, and ideally, on their participation and affiliation with China’s central government institutions.

43 For a discussion on this point, see Chapter 3.
Macau’s political relations with China are not exclusively circumscribed to the central government level. In events such as CEPA or in the creation of the Forum between China and the Portuguese-speaking countries (see below), the MSAR government has enjoyed a wide degree of autonomy to engage in regional inter-governmental cooperation, though ultimately subject to the central government’s approval. Under the leadership of its Chief Executive, the Macau government has acquired unprecedented political profile in both regional and central-level government bodies.

One of the key goals of the current MSAR government, as stated in the annual policy addresses, is to increase economic and political cooperation with China, especially with provincial and municipal governments in the Guangdong, Guangxi and Fujian regions.\textsuperscript{44} The Liaison Group for Macau-Guangdong Cooperation (GLCMG)\textsuperscript{45} is a regional inter-governmental group, which could not have existed before the handover because of the colonial nature of the political system in Macau. The creation of this group in 2001 constitutes a concrete example, prior to the CEPA, of how the handover has produced a re-orientation towards more political integration with China, in this case with the Guangdong provincial government. This re-orientation is based on concrete economic circumstances, as seen in the previous section on CEPA, but it is conducted at a high political level. This group includes representatives of Guangdong’s provincial government such as the director of Guangdong’s Cabinet for Macau and Hong Kong affairs, the Guangdong’s CCP chairmen and Macau’s Chief Executive and his top officials (Secretaries).

They convene at least once a year to ‘develop permanent mechanisms of bilateral cooperation between Macau and Guangdong Province.’\textsuperscript{46} This group provides policy orientation for the respective local and regional government officials, in a variety of fields such as trade, infrastructure, environment, education and culture, technology and science. For this purpose, and adding to its permanent members, the GLCMG is composed of several specialized research groups and committees, forming an effective regional ‘think-tank’, which so far has increased cooperation in areas such as fire brigade cooperation, medical assistance and specific border issues – especially important since the SARS (severe acute respiratory syndrome) epidemic outbreak in 2003, and of course the implementation of CEPA in January 2004.

\textsuperscript{45} In Portuguese - Grupo de Ligação para a Cooperação Macau-Guangdong.
\textsuperscript{46} LAGs 2001, p.30.
4.3.2. The new political discourse and the reform of the local bureaucracy

After the transition, Macau’s political system has kept its executive-led properties, but has given them a new political and ideological content. One of the key goals of the MSAR government is to provide a ‘better service’ to the local population. It presents itself as a ‘responsible government, which is not meant to interfere with Macau’s social order, but to guide it in the best possible way.’\(^{47}\) The ‘transition process’ is no longer part of the political vocabulary nor is it a key goal for the government; instead, the handover is now referred to as ‘Macau’s return to the Motherland’ – zuguó in Chinese – which means literally, the country of the ancestors. In this light, the main political goal of the new executive is to cement the local population’s ‘traditional love to China and to Macau.’\(^{48}\)

The MSAR executive has devised a new politico-administrative logic, without discarding the existing politico-administrative structure: to reform all government institutions, by simply increasing the efficiency, morale and morality of government workers. Since they are no longer Portuguese-speaking cadres, who had their political loyalties elsewhere, the effort is to select those who are qualified and politically loyal to China. For this task, the MSAR government now counts a relatively large pool of young, qualified Chinese who now regard the possibility of a government career as an attractive alternative to one in the private sector.\(^{49}\)

The first program of the MSAR government (Guidelines for Government Action) contained a number of measures to ‘to reform administrative practices in the local public institutions’, in order to ‘increase transparency, fight corruption and rationalize human resources’.\(^{50}\) The re-classification of the Macau civil service is justified by the need ‘to stimulate the morale of public servants and train them to be honest, honourable and patriotic,’ because ‘having no sense of national duty will perpetuate a superficial fulfillment of public functions.’\(^{51}\)

\(^{47}\) Edmund Ho, transcription of his speech on occasion of the 2\(^{nd}\) Anniversary of Macau’s Handover, 20 December 2001.

\(^{48}\) Edmund Ho, Report by the Chief Executive on the guidelines of government policy for the year 2000, March 2000.

\(^{49}\) During my research period at the Macau governmental departments, I met several mid-level government cadres, who usually came from an entrepreneurial family background, held at least one university degree, with ages between late twenties to late thirties.

\(^{50}\) For example, in 2000/2001, it merged the Cooperation and Development Fund with the Macau Foundation and extinguished both of Macau’s municipalities (Loyal Senate and the Islands Municipality) replacing them with the Institute for Civil and Municipal Affairs (IACM). (cf. LAGs 2000, 2001)

\(^{51}\) LAGs, 2001, p.11.
Implicit in these goals is the fact that the Portuguese government did not invest much in the education and training of local civil servants, firstly because of Macau’s colonial status and secondly because of the transitory nature of the government during the de-colonisation period (see chapter 3). The MSAR government has tried to change this situation. Much in contrast with the previous Portuguese administration, the MSAR government has prioritised the training of young civil servants through a program called ‘Education, Training and Recycling Actions’, in order to ‘implement educational and cooperation methods of public service inspired in those successfully applied in Singapore.’

This program consists of specialized courses – including one on the ‘one country, two systems’ doctrine – and compensation/sanction schemes for government workers. Also, more funds and functions have been attributed to the Anti-Corruption Committee, an intra-governmental organization, which investigates and verifies the professional conduct of government workers and public institutions. In the quest for an improved civil service, the Macau Chief Executive – who has had a successful career both as businessman and association leader – wants ‘to form the elites of next the century, (for whom) patriotism and civic conscience should come from the educational system (...) so that tomorrow’s citizens share the spirit of love of China and love of Macau.’

Chief Executive Edmund Ho has publicly admitted that the people in Macau are not used to asking the government for support. He believes though that this situation can change by increasing the quality and efficiency of public institutions, just like in any corporate business: ‘[the] government’s capacity depends on the moral stability of civil servants and their capacity in offering a quality service to the population.’ The political discourse of the Macau government is now characterized by a mix of patriotism, paternalism and managerialism. Macau’s government officials are former associations’ leaders with successful business careers and they promise to run the government in a similar way that chief executive officers run a large company.

After the handover, the MSAR government wishes to serve and reach Macau’s entire population, whereas the previous Portuguese administration served mainly the interests of the local business elites, assuming these to be the logical representatives

53 LAGs, 2000, p.6.
54 In his study about civic participation in Macau during the transition, Sousa Santos (1998) pointed to the fact that because of language difficulties (Portuguese was the official language in public institutions, prior to the transition) the population of Macau resorted to private, rather than government mechanisms of social and economic support.
55 LAGs, 2001, p.20.
of the local community. However, most of Macau’s top government officials belong to these same elites, like the Chief Executive himself and most of his Secretaries and political deputies. Changes at the level of public institutions have been carried out in a spirit of ‘corporate restructuring’ so that the ‘client’, in this case Macau’s overall population, gets a quality service, but remains excluded to decide on major political and economic issues, just like during colonial times. In the opinion of a former Macau government official, this is one of Macau’s greatest post-handover challenges; that it should be a ‘democratic society’, and not the government, which will ‘lay down the building blocks of Macau’s post-handover development’.\textsuperscript{56} Like many former Portuguese administrators in the 1980s and 1990s, he believes that Macau’s civil society should ‘look up to the Hong Kong example to demand more democratization’. In his opinion, this could be possible but only if the local Chinese associations re-defined their role, ‘not only as collaborators, but also as opponents to the government if necessary’.\textsuperscript{57} Expressing a radically different position, a local Chinese businessman believes that the reason why pro-democracy movements are strong in Hong Kong is because Hong Kong has bad leadership.\textsuperscript{58} From his perspective, if the Macau government is more involved after the handover, not only is this good, but it also happens because the local business community supports it.

4.4. Government Policies in post-handover Macau

At the local level, the new government has acquired more power to initiate a wide range of economic policies, not only in cooperation with regional governments, but also on its own initiative. After the handover, the government has aimed to ‘intensify intervention in gambling sector management and adjust land concession policies, improve labour conditions and stimulate the use of new technologies to restructure the local industry (...) so that Macau can use its unique advantages as a major regional and global tourist destination’.\textsuperscript{59}

Every year, the MSAR government publishes its political programme – the Guidelines of Government Action – and presents it to the Legislative Assembly, where it is discussed in plenary session. The guidelines of government action iden-

\textsuperscript{56} Interview with Jorge Rangel, Macau Feb/March 2004.
\textsuperscript{57} Interview with Jorge Rangel, Macau Feb/March 2004.
\textsuperscript{58} Interview with P.K., Macau, March 2004.
\textsuperscript{59} Cf. LAGs, 2000, 2001.
tify the key policy goals and give general policy orientation on a sector basis. In the years following the handover, the keys goals of the governmental programme were:

• to regulate Macau’s most lucrative economic sector; the gaming industry, in order to further stimulate the development of a modern services, tourist-oriented economy.
• to facilitate further economic integration with the Mainland (through the implementation of CEPA and development of other forms of inter-governmental cooperation with Guangdong).
• To use Macau’s unique linguistic advantages to stimulate economic cooperation between China and the Portuguese-speaking countries.
• To create or further develop relevant local institutions in order to facilitate the access of Macau’s entrepreneurs to regional and global markets.

4.4.1. Policies concerning the gaming sector

The gaming industry plays a central role in the new government’s policies, because of its importance in the local economy and because it is the main source of government revenue. In this respect, the MSAR government has inherited a situation coming from colonial times: a large income base, of which the lion’s share are the fiscal revenues generated by the casino monopoly concession.

While the policy strategy of the previous Portuguese administration had been based on simply exploring the financial advantages from licensed gambling for re-investment in infrastructure, the MSAR executive immediately started working on a new legal regime regulating the gaming sector. This new gambling regime includes an increase in the number of licensees, the possibility of outside investors to come into the local gaming industry, and the regulation of credit-concession in local casinos. In the last four decades, the gambling industry has been the main cause of economic growth in Macau, but this sector is also vulnerable to unforeseen conditions like, for example, the SARS epidemic outbreak in 2003, which provoked a sharp decrease in the number of tourists going to Macau. ‘We have learned our lesson, (…) we need to diversify the local industry to maintain economic stability and this is best if accomplished with more regional integration.’

The new gambling-related policies serve the goal of stimulating the development of a modern services and tourist-oriented economy in Macau. From this

60 All these measures are discussed in detail in Chapter 5.
62 According to the Secretary for Economy and Finances Francis Tam, in Macau Image, #39, p.14.
perspective, Macau has undoubtedly benefited from the CEPA ‘ride’. Because of its being small, it will be difficult for Macau to compete in the global arena, but by gaining preferential access to Chinese markets – and assuming that gambling revenues will grow with the attribution of new licenses – the goals of industrial diversification and services’ development are believed to be easier to achieve. As stated by a Macau government official: ‘We have an innovative economic system, combining an extremely low level of income and commercial taxes which is possible because of ever-increasing gambling revenues (…) with a corresponding increase in education and training infrastructures and programs, we will build a viable industrial base to stabilize the economy and quell unemployment.’\textsuperscript{63}

\subsection*{4.4.2. CEPA and the ‘go regional’ policy}

The ‘go regional’ policy constitutes a major departure from the strategy developed by the late Portuguese administration. The Macau-China CEPA lays the foundations of regional economic cooperation under the new political context in Macau. The Portuguese administration considered that because of the political differences between Macau and Guangdong, economic integration would be difficult to achieve. The Portuguese thought that ‘Macau should develop global links in order not to be engulfed by [the surrounding region of] Zhuhai,’ but the new government believes that ‘Macau’s economy should adapt itself to the neighbouring economies to achieve double results with half the effort.’\textsuperscript{64}

In what concerns the local manufacturing industry, the creation of the Macau-Zhuhai Trans-border Industrial Park is regarded as an essential mechanism for the successful implementation of the CEPA. The Macau-Zhuhai Trans-border Industrial Park results from a joint inter-governmental effort, between the MSAR and the Zhuhai municipal governments. The industrial zone covers a 40-hectare area on reclaimed land between the northern tip of the Macau peninsula and the southern tip of Zhuhai’s Gongbei customs post/border town. The actual construction of the park began in March 2004.\textsuperscript{65}

The MSAR government still believes it is necessary for the manufacturing industry to continue in Macau, though gambling-related tourism is now the basis of the local economy. Together with the Macau-Zhuhai Industrial Park, the conditions brought by CEPA constitute a good opportunity to diversify the local manufactur-

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{63} Interview with T.K.I., February 2004, Macau.
\item \textsuperscript{64} LAGs, 1998, preamble, LAGs, 2001, p.11.
\item \textsuperscript{65} Hoje Macau, 16 March 2004.
\end{itemize}
\end{footnotesize}
ing industry. However, the government recognizes that growing industrial unemployment was taken into consideration in the industrial park project.\textsuperscript{66} The CEPA is useful to help the local business community into China, but the creation of an industrial zone is an essential complement to the agreement because it renews the attractiveness of Macau’s industries for foreign investors.\textsuperscript{67} Since many of the 273 products covered by the CEPA are not entirely produced in Macau, according to local government officials, outside investors, mostly from Japan and Singapore, have shown their interest in manufacturing some of the CEPA-covered products in Macau: ‘many foreign companies have expressed their desire to invest here, especially in electronic and electrical products, cosmetics and jewellery.’\textsuperscript{68}

With CEPA, the Macau gambling industry cannot enter the Mainland market the way manufacturing, construction, retail or wholesales businesses can, simply because of the spatial restrictions to where gambling activities can be practiced – i.e., only in Macau. Nevertheless, there are many possibilities for Macau’s businesses, specifically those related to the tourism industry: transportation, financial and legal services or logistical support. The liberalization of the transport and communication sectors and the liberalization of all kinds of services bring a new level of cooperation between Macau and Guangdong province. Besides the project of the bridge connecting Hong Kong, Macau and Zhuhai, Macau’s tourism entrepreneurs can operate their own travel agencies and transport networks in the Mainland. As such, the CEPA adds more benefits for Macau’s tourism, through the supply of tourist services in the Mainland.

Although not part of the CEPA itself, in August 2003 the central government made special concessions in issuing individual visas for Chinese citizens from all of Guangdong province and fourteen Chinese cities, including Beijing, Shanghai and Xiamen. This measure constitutes the most important benefit of regional intergovernmental cooperation for the Macau gaming industry. Since one in every three mainlanders heading to Hong Kong chooses to visit Macau as well, this policy/measure has had immediate effects on Macau’s economy, stimulating consumption in retail services, restaurants, and of course, feeding Macau’s casinos with ever-growing numbers of Mainland visitors.\textsuperscript{69} The positive effects of this policy for gambling-related tourism are thus considerable. According to one local entrepreneur, this constitutes proof of the central government’s special effort in helping Macau: ‘Look at how much money the government and Stanley [Ho] have been

\textsuperscript{66} Interview with T.K.I., Macau February 2004
\textsuperscript{67} Interview with T.K.I., Macau, February 2004.
\textsuperscript{68} According to Francis Tam, in declarations to \textit{Ponto Final}, 7 January 2004.
\textsuperscript{69} \textit{Macau Image}, #39, IPIM, 2003, p.22.
making despite epidemics and all that, it is mainly thanks to gambling that the Macau government has managed to keep growth levels high.\textsuperscript{70}

4.4.3. The strategic use of the colonial legacy: the Cooperation Forum between China and the Portuguese-speaking countries

Another goal of the MSAR government is to turn Macau into a ‘global economic cooperation platform’,\textsuperscript{71} which to a certain extent explains why Portuguese was kept as an official language of Macau on a par with Chinese. Since the handover, historical and cultural legacies – including the continuation of Portuguese as an official language in Macau – are perceived as a good means to improve Macau’s role not only as a tourist centre in the region, but also to open new doors to strategic economic cooperation, in this case with Brazil, East Timor, Angola, Mozambique, Guinea-Bissau, Cape Verde and São Tomé and Príncipe.

In September 2003, the MSAR and the Macau Investment Promotion Institute (IPIM) hosted the first Forum for the Cooperation between China and the Portuguese-speaking Countries. This Forum represents a first step in creating and facilitating economic links between China and the above mentioned countries. The Forum had to be previously approved by the PRC central government, although the MSAR government and the IPIM were the actual organizers of the event. High level officials from Beijing came to the Forum, among them the Chinese vice-premier Wu Yi, who declared his satisfaction with the initiative and reiterated Beijing’s commitment to support the IPIM to bring the Forum every two years to Macau, believing that this will significantly upgrade the territory’s political status and be of great service and prestige to China.\textsuperscript{72}

Macau holds unique advantages as a platform for Chinese products and investment going into Africa, East Timor and Brazil. The forum is an entry point to strengthen political and economic ties between China and these countries, using the linguistic specificities more as a symbolic way to open economic channels with these countries. The maintenance of friendly political relations is of particular importance because the Portuguese-speaking African countries are potential targets for Chinese foreign investment. In the case of East Timor – a country under construction – it could highly benefit from Macau and China’s support to invest in infrastruc-

\textsuperscript{70} Interview with E.Y., Macau, March 2004.
\textsuperscript{71} LAGs, 2002, p.46.
\textsuperscript{72} Hoje Macau, 13 September 2003.
ture and industry, while Brazil could serve as an important ‘friend and partner’ in South America.\(^{73}\)

From the summaries and reports produced during this Forum, it is clear that this initiative remains incipient but from a wider regional and global perspective, it has enormous potential once the political aspects entailed in those eventual partnerships are fully solved and negotiated. For example, in the first forum it was clear that the fact that the islands of São Tomé and Principe maintain diplomatic relations with Taiwan makes the eventual cooperation with the PRC more difficult, unless they switch their political recognition towards the latter.\(^ {74}\) The presentations and papers discussed in this Forum remained very general in nature, with no clear plans for cooperation but still expressing an optimistic albeit vague intention to do so in the future.

A local legislative assembly deputy praised the IPIM’s role in this respect and like other government officials he believes that Macau will have an important role to play in the future in China’s foreign economic relations.\(^ {75}\) This deputy is convinced that the PRC has a strategic political interest in this forum, but the Portuguese-speaking countries have everything to gain with an economic partner like China. He considered that ‘there is only political chaos and a misery far worse than in the Mainland,’ since no African Portuguese-speaking country is sufficiently developed. But as the ‘Chinese are realistic and practical people,’ these countries would only gain with the strengthening of the cooperation, although in practice this will largely depend on the entrepreneurs’ economic interest in doing so.

According to a Macau government official, the Forum is at the moment a body of inter-governmental cooperation. It represents a real opportunity to create the necessary political conditions, like setting up consulates and trade secretariats in, and for, these countries, so that at a later stage, local or Mainland entrepreneurs and investors feel more supported in their potential efforts.\(^ {76}\) For the moment, the Macau entrepreneurs are either oblivious to these efforts, or simply not interested in expanding into these areas due to existing language barriers, low profit returns, and far and difficult communications, at least in the case of Africa. Local entrepreneurs need to feel more ‘trust’, in order to participate in trade and business links among these areas and countries, especially in terms of credit and financial conditions, which are still insufficient for a full scale economic cooperation.\(^ {77}\)

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73 Interview with Lee Peng Hong, Macau, April 2002.
75 Interview with J.F., Macau, February 2004.
76 Interview with Sam Lei, Macau, February 2004.
77 For the entrepreneurs, these places are far from attractive because of their lack of
4.4.4. Government-sponsored organizations to support the Macau business community: the IPIM and the CPTTM

The political and economic changes brought by the executive government carry important implications in the balance of power between government and business in Macau. The MSAR government has captured much of the functions performed in the past by organizations such as the MCA and the Nam Kwong, in the mediation of the Macau-China relationship or by actively participating in regional economic cooperation, particularly in the Macau-China CEPA. This is also true at the local level, where the MSAR government has directly sponsored and enlarged the functions of economic organizations such as the Investment Promotion Institute (IPIM) and the Centre of Productivity and Technology Transfer (CPTTM). In the post-handover context, these organizations now fulfil much of the role played by local business associations, in the sense that they now constitute important channels for the local businesses to seek governmental support for their industrial and investment activities, in Macau and abroad.

The Investment Promotion Institute of Macau (IPIM)

Since the establishment of the MSAR, the IPIM (Macau’s Investment Promotion Institute) has seen its responsibilities and functions increase, by becoming an important local economic cooperation platform, connecting the Macau businessmen to China, the East Asian region, and more recently, to Africa. On the domestic front, the IPIM is the official government entity in charge of coordinating issues relating to trade and investment facilitation under CEPA’s framework. The last section of this agreement lays out a number of principles for trade and investment facilitation, in which both Macau and China have agreed to strengthen their cooperation in trade and investment promotion, by simplifying customs procedures, and ‘enhancing transparency, adopting common standards and exchanging information for fruitful cooperation among the enterprises in Macau and in the Mainland.’ Together with the MES (Macau Economic Services, Economy and Finance Secretariat), they are the two public organisms in charge of overseeing the implementation of the CEPA.

The new institutional vigour of the IPIM contrasts sharply with the pre-handover period. This institution was created in 1994, still during the Portuguese Administration, however, the previous IPIM president did not have the same en-

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> infrastructure, lack of information on local markets and lack of political stability, for instance in Angola or Guinea-Bissau.Interview with C.V.K., Macau, February 2004.

78 MMCEPA, chap.V, art.16.
thusiasm regarding the role this institution could play in processes of regional economic cooperation and integration. He believed that Macau needed to strengthen its economic ties with the EU, as the only possibility for its internationalisation as a modern services’ centre. In his own words: ‘I’m convinced that if Macau does not develop a strong relationship with the EU, Zhuhai will take up a hegemonic position and Macau will be no more than a Zhuhai suburb.’ In turn, Lee Peng Hong, president of the IPIM since 2000, declared his organization’s intention to capitalize on regional, rather than global, business ties, although he has personally supported the development of economic relations with East Timor. Lee Peng Hong is always ‘in the picture’, that is to say, in official photographs of Macau’s Chief Executive’s visits to China or visits from Chinese government officials to Macau. He has become one of Macau’s most visible ambassadors and his presence is almost guaranteed in inter-governmental meetings concerning CEPA or regional economic cooperation.

Since the year 2000, the IPIM has organized several trade missions – including government officials mostly from the MES and local businessmen – who have traveled on a regular basis to Taiwan, Singapore, Vietnam and East Timor, as well as to Mainland cities like Chongqing, Xiamen, Zhuhai and Zhongshan to enforce regional economic cooperation and to promote Macau’s businesses and businessmen in China. The IPIM has also acquired an important role in assisting Mainland and foreign entrepreneurs to come to Macau. In 2001, the IPIM created an Investment Committee, which coordinates relevant government offices in the procedures required to start a business in Macau and assists in the setting up of new companies and investors, in a variety of ways. For example, the IPIM has been in charge of processing new residency and business applications, using specific criteria such as skills assessment, nationality and investment forms and amounts. The IPIM also provides physical infrastructure for foreign and Mainland investors in the territory. For this purpose, in 2002 the IPIM created the Macau Business Support Centre (MBSC) which supplies facilities like office space, internet access, phone lines, fax, copy-machines, translators and secretaries, all of which are to be used by the new investors. The MBSC occupies ten floors of an eighteen story building in Macau’s NAPE area and it currently serves as the headquarters of the Chongqing-Macau Economic Promotion Association, of the World Federation of Chinese Entrepreneurs Organization and the Organizing Cabinet for the Forum of Economic Cooperation between China and the Portuguese-speaking countries.

79 João Domingos, former president of the IPIM, in interview to Ponto Final, 1 April 1999.
80 He considers Xanana Gusmão – the historical leader of East Timor’s armed resistance – a very special individual and a personal friend’. Interview with Lee Peng Hong, Macau, April 2002.
With the implementation of CEPA, the IPIM is the official physical and virtual liaison organization for trade and investment, in and from Macau. Since the beginning of the CEPA negotiations, the IPIM was involved in helping the MSAR government to gather the support of the business community of Macau to assure full knowledge of the agreement.\(^{82}\) For example, in the first months of 2004 the IPIM devised a three-stage CEPA promotion program, in cooperation with the PRC’s Council for the Promotion of China’s International Trade, to organize trade fairs in Beijing, Shanghai and Guangzhou. In Beijing, the president of the IPIM headed a delegation of seventy-seven people, all leaders and representatives of the MCA, MIA, MEIA, the Banking Association and the Freight Forward Association. In Shanghai and in Guangzhou’s fairs, the Macau delegation counted more than 200 individuals, including government representatives, IPIM representatives, association leaders and several local businessmen. The size of the delegations sent to these fairs reflects well the importance of CEPA in the government’s relationship with the local businessmen. However, in the opinion of a Macau government official, despite all these promotion initiatives, local businessmen are still not very well informed about the contents of the agreement.\(^{83}\) He is of the opinion that to rely on the IPIM alone is not enough, and therefore the government should still rely on the MCA, MIA and the MEIA to provide information and clarify any doubts concerning the agreement.\(^{84}\) And so it was, shortly after this interview. In the end of February 2004, the MCA and the IPIM jointly hosted a week of CEPA-related seminars and clarification sessions, inviting high-level officials not only from Macau but also from the Mainland.\(^{85}\) According to one MCA member, this Association felt compelled to intervene more, because the ‘local entrepreneurs are used to relying on this organization to help clear their doubts and queries (…) more than resorting directly to the governmental departments or even the IPIM.’\(^{86}\)

**The Centre of Productivity and Technology Transfer of Macau (CPTTM)**

After the handover, the MSAR government has actively supported another intermediate structure of state-business cooperation: the Macau Centre of Productivity

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85 Including representatives of the PRC Ministry of Commerce, Ministry of Justice and Ministry of Transportation, the president of IPIM, the Director of the MES, and the chief the department for Macau, HK and Taiwan affairs of the PRC’s Ministry of Commerce (*Hoje Macau* 20 February 2004).
86 Interview with L.L., Macau, March 2004.
and Technology Transfer (CPTTM). Through this organization, the government has gradually increased its involvement in the local industries.

The CPTTM is an ‘organization of public and private partnership, serving Macau’s public interest’, bringing together government representatives, business associations and businessmen.\textsuperscript{87} The CPTTM was created in 1994, still in Portuguese times, when Eric Yeung presented a proposal to Rocha Vieira to establish an organization similar to the productivity council in Hong Kong. Initially, the CPTTM was a local ‘think tank’, placed between the Macau Industrial Association and the Macau Economic Services department to devise ways of improving value-adding in the local textiles and garments industries. In 1996, the government increased its stakes in the CPTTM, by extinguishing the former CADI (Centre for Industrial Development, within the Macau Economic Services Department) and shifting the centre’s activities into the CPTTM. The government supplied the facilities for the CPTTM to operate in, in the same building of the MCA’s headquarters. The MCA has actually encouraged the CPTTM to enlarge, by leasing some of its space to this organization.

As the number of shareholders increased throughout the last decade, the CPTTM diversified its functions into tackling labour issues and setting up training programs for industrial workers of the territory. Since the year 2000, it has become an important training and educational centre, ranging from computer software development, to industrial design, language, and management courses applied to three core areas: industry, computer technologies and tourism. The CPTTM now counts four specialized directing committees: textiles and garments, tourism services, computer technologies and quality management. In 2000, the CPTTM created the Quality Department, which provides information for large, medium and small enterprises on international quality standards, codes of conduct and the issuing of quality certification. With the Quality Department, the CPTTM now has the capacity to award international quality certification to enterprises in Macau and to help them in obtaining the certificates needed in China to acquire technology.\textsuperscript{88} In 2001, the CPTTM further expanded its functions by creating a Department for External Trade and Market Integration, to help local and overseas entrepreneurs to get in touch with partners in China.\textsuperscript{89} Basically, it provides consultancy services to companies that wish to expand into China and other places as well, ‘free of charge’.\textsuperscript{90} But it does not act independently from the government anymore, as in its initial

\textsuperscript{87} Interview with E.Y., Macau, February 2004.
\textsuperscript{88} Interview with E.Y., Macau, February 2004.
\textsuperscript{89} Interview with V.K., CPTTM director-general, Macau, March 2004.
\textsuperscript{90} Interview with V.K., Macau, March 2004.
think-tank phase. In comparison with the Portuguese administration period, from the current seventy-one shareholders of the CPTTM, the government alone – represented by the Secretary for Economy and Finance, Francis Tam – owns 52 per cent of the shares and is by far the largest financial contributor. Other shareholders include local business associations, such as the MCA, the MIA and the MEIA, and individual entrepreneurs, who have to contribute with an initial amount of MOP 50,000. The entrepreneurs and the associations are allowed to withdraw their contributions or sell their shares, if they wish, but not the government. Apart from its financial contribution, the government appoints the CPTTM’s director-general, a post created in 2000, to supervise the use of the funds and to manage the government-owned shares.

The CPTTM’s current director general is a private entrepreneur, dealing in textiles and garments since 1974. He was appointed in April 2000 as deputy director general, and has been the director-general since May 2003. He says he administers this organization the same way he administers his companies, ‘with creativity, because creativity is the older brother of productivity, without creativity you can only copy.’

He considers that it is valuable for the entrepreneurs to be engaged in ‘economic boards’ (associations), in order to gain access to other business interests from overseas: ‘The associations provide an excellent way of involving entrepreneurs, they are an important part of Macau’s social and business culture.’ However, he also considers that only with direct involvement of the government, through organizations such as the CPTTM, it will be possible to improve ‘even further’ Macau’s economic situation.

4.5. Business associations and the Macau government: the new business climate and the old business culture

In the previous sections, we have seen how the handover, the CEPA and the creation of the GLCMG have enhanced the political prestige of the current MSAR government, by giving it an opportunity to solidify institutional links with adjacent regions and municipalities, on its own initiative and capacity. The MSAR government is now in a position to gain also a more prominent economic role, at least in what concerns its new economic measures and policies. All policies defined by the local government show a clear intention in capitalizing on the gambling industry, actively supporting

91 Interview with V.K., Macau, March 2004.
other local industries and investing efforts, in order to further economic integration and cooperation with the Mainland, in the spirit and framework of CEPA. In all these efforts, the MSAR government is generally considered as having done a ‘good job’ so far, in the local press, in Beijing, and by the people interviewed for this study.

The implementation of the Macau-China CEPA has the goal of facilitating trade and services flows between the two areas and, from Macau’s government perspective, to further re-orient the local businesses and industries towards the Mainland. This agreement reflects a trend which is not entirely new to the Macau entrepreneurs, since they have been investing and expanding business operations in China for a long time. The increased government involvement, not only through this agreement but also through its post-handover policy measures, brings important consequences to the business climate in Macau. More generally, the government’s post-handover political and economic involvement has produced changes in the patterns of relations between state and business organization in Macau.

In this section, we will see how the local businessmen and business associations have managed to articulate their economic and political interests in the new scenario, particularly within the CEPA. Because the current government has taken much of the political and economic role of the local business associations, local patterns of state-business relationship have also changed after the handover.

### 4.5.1. Changing business climate under CEPA

From the testimonies gathered in this research, entrepreneurs from Macau are generally enthusiastic about the CEPA and although they were seldom critical of government initiatives (either local or from the Mainland) they also agreed that there was still a long way to go before actual benefits would start pouring in. Specifically, the gaming industry and the export-oriented manufacturing sector seem to benefit most from the situation, mostly because of the above-mentioned local government’s policies which safeguard the business interests within these industries.

In the services sector, there are both advantages and disadvantages for Macau’s businesses. For example, in the banking sector, no bank in Macau has the required initial capital of USD 6 billion to enter the mainland market, with the exception of the Bank of China, which is the Mainland’s largest state-owned banking corporation. For example the Hong Kong Shanghai Banking Corporation (HSBC) – a British-constituted bank – receives the same treatment as other foreign banks,

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92 Cf. LAGs, 2000-2004.
thus subject to even higher capital requirements. However, the CEPA has brought a renovated interest on the part of the Mainland banks to come to Macau. Forecasting a rise in Macau’s investment in the Mainland and a rise of foreign investment in Macau, the Industrial and Commercial Bank of China (ICBC) – state-owned, but the second largest bank in the PRC – immediately established a branch in Macau when the negotiations for the agreement started. According to its Macau branch representative: ‘before we came to Macau, we made a survey in the locations with higher concentration of investment from the territory: Jiangmen, Zhongshan and Zhuhai. Our branches in these cities count more than 300 clients from Macau (…) with the CEPA the ICBC will play a much larger role in Macau.’

The CEPA brings fresh business opportunities for Macau’s retailers. The capital requirements to enter China have been lowered and Macau’s retailers can now operate in an extended number of counties, cities and provinces, compared to other foreign retailers, who are far more restricted in the places where they can open their businesses. In the case of wholesale trade, the situation is different. Although this type of services also has lower requirements, most of the wholesale traders operating in Macau are subsidiaries of Mainland companies, which now re-enter the Chinese market under different circumstances. The overwhelming majority of distribution, wholesale and retail business is already owned by Mainland firms, which reinforces what has been a ‘situation of quasi-monopoly by Mainland enterprises in Macau’s distribution channels.’

This means that in key services such as banking and distribution channels, Mainland firms and groups dominate in Macau. Under CEPA, trade in goods is tariff-free, but the distribution channels are much more controlled. Trade in such things as foodstuffs, energy, petrol, cement or construction materials and machinery have traditionally been kept in the hands of Mainland state-owned companies, like the case of the Nam Kwong with the foodstuffs and gasoline distribution. Although these types of businesses will also be liberalized as part of the PRC’s WTO commitments, for the moment no enterprise, whether foreign or from Macau, can compete with these firms’ regional market position. Mainland enterprises already operating in Macau seem to have the most immediate gains with the CEPA because they are active in both markets and in certain sectors experience no competition from foreign businesses.

But there is also optimism and hope for Macau’s entrepreneurs to obtain a share of benefits with the agreement. P.K., a Macau-based entrepreneur, has developed

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96 For more on the Nam Kwong, see chapter 3.
throughout the years overseas networks that have been crucial for the success of his freight, insurance and logistics’ company. He owns the company, together with his brother and two other partners, which has branches in Zhuhai, Guangzhou and Hong Kong. He recalls that before the transition, because he was registered in Macau, he could not buy or sell (collect or generate) cargo in China under the company’s name. He had either to use the Guangzhou or Zhuhai branch name, but even in doing so business activities would be geographically limited. In order to collect cargo outside Guangdong province, he had to rely on other connections and providers with whom he had to share the profits. This was a risky situation because if he were ‘caught’, he would have to pay a large fine or even face the possibility of shutting down one of his Mainland branches. But thanks to the CEPA, his firm can now either act as ‘a consultant’ of a Mainland firm or he can apply directly to operate on an equal footing with any other Chinese firm and in any region in China. The only problem he foresees is that he now needs certification from both the government of Macau and from the Chinese government, which for him is ‘a bit strange because if I have the same possibilities under the CEPA the recognition should be automatic (…) now it is too time-consuming, the governments should simplify and not create new requirements.’

According to another Macau-based entrepreneur, there is no doubt that the CEPA introduces local businesses to one of the largest markets in the world. He admits, however, that it all came about ‘much too quickly (…) so it is normal that some points are not yet fully settled.’ The greatest challenge seems to be for the Mainland governments, where ‘at least thirty-three legal diplomas have to be changed in China, only regarding professional qualifications, so that things really work (…) through a full and reciprocal recognition of professional qualifications and diplomas.’ Although Macau and Hong Kong are undoubtedly part of China, it is only a political recognition; in practice, and according to my interviewee, it will take a long time until there is full technical recognition of professional qualifications and business credentials within the CEPA territories.

This kind of remarks expresses different perceptions about opportunities and obstacles brought by the CEPA, depending on the branch where the local businessmen operate. Macau’s businessmen do not have much to lose with CEPA, quite on the contrary. Specifically, Macau’s largest industries seem to gain considerably with the new situation. However, in order to enjoy the positive effects of regional economic integration with China, the local entrepreneurs still have to play according to China’s rules. CEPA ultimately means that it does help to be Chinese, or at the very least, to be able to speak the language, to support China and the ‘one country, two
systems’ ideology and to have the right contacts in the regional governments of the areas in which they wish to invest.

4.5.2. Old and New Associations

For associations like the Macau Commercial Association (MCA) or the Nam Kwong, the period after the handover has corresponded to an adjustment of its political functions: there is no need anymore to provide a channel of ‘dialogue’ between the government and the local society: the new government can dialogue directly with the community, without any mediation or translation. In this sense, it has lost its exclusive role as the most influential mediating institution between (Portuguese) government and the Macau Chinese society. Moreover, the re-creation of institutions such as the IPIM or the CPTTM under the government’s tutelage has also captured some of the economic role played in the past by these organizations. However, the MCA still holds a central position in Macau’s politics: it continues to appoint deputies to the local assembly, its leaders are members of the electoral commission that chooses the Chief executive, and its Chairman Ma Man Kei is one of the oldest businessmen-turned-politicians in Macau, with many old friends in Beijing.

The old associative habits are a pattern difficult to break in Macau; it remains strong because it still is the major form of achieving political representation. In terms of concrete business support and advantages, to belong to the MCA nowadays does not offer or guarantee anything, except in using the association as a channel for ‘special requests’ to the government or to other organizations abroad. After the handover, there have also been new associations that compete directly with the MCA, not only for political and economic influence in the new government, but also as representatives of new social and economic interests. New associations have sprung up from the changing political and economic circumstances in the territory, but share with the old associations the desire to be heard, consulted or invited to collaborate with the government.

One case in point is the Macau Small and Medium Enterprises Association (MSMEA), which is said to defend the interests of a new generation of entrepreneurs who prefer to be represented by this association, rather than by the MCA. The Macau SME Association was established in 1998 to be ‘the champion of the small guys’, because it comprises mostly small enterprises, with less than 150 employees. According to one local entrepreneur, the MSMEA has a fresher approach

100 Interview with E.Y., Macau, February 2004.
to the management of the associations’ activities, which he finds preferable to the ‘hierarchical and elective kind of associativism of the MCA,’ where ‘the board gives orders and everybody has to comply.’\textsuperscript{101} He prefers to be among younger people in associations that function on a more horizontal and equal basis. However, he admits that because of the MCA’s long-standing tradition in Macau, younger companies will feel compelled to join in, if only ‘because of the prestige and business status it grants.’ He himself was an MCA member for a long time, but three years ago he decided to leave it and instead join the SME Association. He said that now he is part of a wider business network (mostly from Hong Kong and Mainland China), with individuals who are more willing to take more risks, and to try different things with people from abroad.\textsuperscript{102} All the members of this association – its president Stanley Au Cheong Kit included – have been, or still are, members of the MCA. But they are only members, not leaders, which is mainly why this association was established, so that they can be leaders themselves:

Stanley Au has created this association because in the MCA he couldn’t do or be anything (…) that is why there are the most varied types of associations in Macau; because it is a way for people to make themselves heard and to gain social respect.\textsuperscript{103}

Since not everyone can become an MCA leader, through this new association, Stanley Au has been ‘heard’ and ‘consulted’ by the government. He was appointed deputy to the Legislative Assembly by Chief Executive Edmund Ho, after being defeated in the run for Chief Executive in 1999. Although some view the MSMEA as a direct result of Stanley Au’s will to participate and to gain political profile without being linked to the traditional associations, for the actual members, the MSMEA is preferable to the MCA. One crucial difference of this association in relation to the MCA is that foreign companies are welcome to join in, because in the MCA they have to be Chinese.

The old associations, although solidly in power through the appointment of their leaders to key government positions, are now competing directly with recently-established associations to occupy seats in the legislative assembly or the consultative council. Macau’s business community is responding to the political and economic changes brought on by the handover by still using the association either as a channel to make specific demands that can’t be met by the traditional associations,

\textsuperscript{101} Interview with P.K., Macau, March 2004.
\textsuperscript{102} Interview with P.K., Macau, March 2004.
\textsuperscript{103} Interview with J.F., Macau, February 2004.
or simply to seek political representation – or at least to increase their political influence. Since not everybody can become a leader of the traditional associations, the creation of new associations reflects Macau’s strong legacy in personalized politics, in which members of traditional associations start their own so that they can become leaders themselves.

4.5.3. Changing business culture?

There are signs that new ways of doing business are emerging in Macau, with a new generation of young entrepreneurs and government cadres. For newcomers, nonetheless attracted to the possibilities brought by CEPA or by the new gambling-related policies, it will become increasingly difficult to act outside the guidance and influence of the local political and economic institutions, either the government or the business associations. Since the handover, however, political and economic leadership in Macau have come together at the level of the executive government because its top officials were actually bred within the traditional environment of Macau’s business associations.

Since the handover, it is possible to distinguish the ‘old, traditional businesses’ with comfortable seats in the government, from new businesses and new entrepreneurs, of different educational and regional backgrounds, who do not yet possess the level of political influence of the older generation. All the entrepreneurs I met in the course of this work – and despite all differences between them – agree that there is a new generation out there, in business as well as in the government. In the post-handover economic climate, there is now a ‘mix of open-minded and narrow-minded, of conservative and risk-taking entrepreneurs, local and from outside’.

In the 1991 study by Sit, Cremer and Wong, the main conclusion at the time was that the Macau entrepreneurs were generally conservative, preferring stability to risk-taking (1991: 203-210). Another important conclusion was that the creation and running of businesses in Macau was usually an entrepreneur’s independent concern, which usually recurred to family members for financial and material support (instead of the government). Thirteen years later, the situation has remained basically unchanged. In 2004, a Macau businessman observed that most of Macau’s enterprises are still ‘under the shadow of the father: if the son wants a loan to build a new factory he has to first ask daddy and to make sure that this does not constitute a risk for the family business.’

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104 Interview with L.L., Macau, March 2004.
105 Interview with V.K., Macau, March 2004.
Some old ways of doing business are still very present in Macau, as found in the view of a local construction businessman, leader of the MCA and deputy in the L.A.: ‘Business is business; businessmen know exactly what to do, when to do it and where to do it (…) They don’t want, neither do they need someone [meaning the government] to tell them what, when and where to produce.’ The same study of Sit, Cremer and Wong (1991) called attention to the fact that the Portuguese government had hardly ever interfered in the running of Macau’s private sector. The development of Macau’s private businesses has mostly occurred outside any government interference, but after the handover, this situation has changed. The new government has tapped into the associative experience of its top leaders to re-create the associative environment of business networking in organizations directly under its tutelage, like the IPIM or the CPTTM. And most significantly, the government has actively and generously supported the local entrepreneurs industries. For example, in May 2003, the MES created a subsidies program for local SMEs, enticing them to look directly for government support by giving interest-free credit schemes and banking guarantees with the government as intermediary. However, very few requests have been made which, according to a local government official, is because enterprises that seek government help usually come via MCA and MIA, and not individually. The government now wants to directly support Macau’s SMEs, because ‘it has the resources to do so’. But this is a difficult task in Macau because ‘old traditions and bad business habits that are difficult to break’, like for example the lack of bookkeeping and accounting systems, especially among the older generation of Macau entrepreneurs. Because they are not obliged by law to do so, it complicates the government’s task of helping local businesses because they should be able to provide financial records in order to apply for industrial subsidies. This example illustrates that despite the new government’s resources and capacity to intervene more in the local economy, there is still a pervasive reliance on the local business associations to disseminate information in regard to the government’s policies because of a customary lack of government interference or engagement in the local economy.

In view of a wide range of local associations, old and new, government-sponsored or not, is it then possible these days to become a successful businessman

106 Interview with C.V.K., Macau, February 2004.
107 The credit is repayable after 5 years and the SME becomes debtor to the government and not the bank. Interview with T.K.I, Macau February 2004.
108 According to my interviewee, the high revenues coming from gambling should be re-invested in this way, otherwise ‘the excess of money can become a political problem’. (T.K.I., Macau February 2004)
without being part of any of these associations? One Hong Kong entrepreneur who has been operating in Macau for four decades, sees no need to join an association these days, but only if one is sure of his market position. Though he is a member of ‘all those associations’ – specifically the MCA, MIA, MEIA and CPTTM – he personally does not need assistance to do anything, but he admits that others might need that. In his opinion, joining associations these days might straightjacket the businessmen, but not to join means that they become ‘free radicals doing whatever they want.’

This view is shared by another local entrepreneur, for whom the only advantage of still participating in these associations is to take part in a ‘social intelligence circle’ – where business information is or not shared – which is important in a small place like Macau. However, he strongly believes that he does not owe any of his business success to these associations, which are always run by the same people and offer nothing in concrete besides ‘interpreting government policy to its members’. He described associations such as the MEIA, MIA and MCA as ‘old and conservative’: ‘they gathered political power outside Macau, and so the Portuguese administration had to buy them up by giving them favourable treatment.’ Now it is different because he believes that the system has become fair to everybody: ‘It doesn’t matter anymore if you are in the Chamber [MCA], if you are Chinese, or where you come from; as long as you are legally registered and pay your own dues, the government will give you a fair treatment.’ He is ‘not ashamed like others’ in admitting he gets government subsidies and incentives, stating that though the Portuguese government did a good job, the new government has done an even better one.

This entrepreneur takes pride in having had always followed government policies before and after the handover: ‘I read the Chief executive Guidelines every year, I study every single issue, [the guidelines] it’s like the bible to me.’ Understanding official policy, regardless of being Portuguese or Chinese, has been for him the most important ingredient for his business success. He is especially pleased with the new government and with new incentives open to everybody, on a non-discriminatory basis: ‘If you adjust expansion and operation of the enterprises according to what your government thinks is right, or to where government policy is pointing at, you will be a successful businessman.’

110 Interview with E.Y., Macau, February 2004.
111 Interview with L.L., Macau, March 2004.
112 Here he is specifically referring to the textiles and garments quota incentives. For more on these incentives see Chapter 6.
113 Interview with L.L., Macau, March 2004.
4.6. Conclusions

After the handover, the performance of the MSAR executive government has been characterized by its active pursuit of increased economic cooperation and integration with Mainland China. After China’s accession to the WTO in 2001, the subsequent implementation of the Hong Kong and the Macau-Mainland CEPA’s in 2004 are a strong indication that economic regionalization processes are under way in contemporary China.

In the case of Macau, economic regionalization is manifested mainly in the MSAR government policies, including the implementation of CEPA and other policy measures, which are designed to further develop and promote local industries in the surrounding Chinese regions. The CEPA grants Macau with earlier access to China’s markets, vis-à-vis other WTO members, liberalizing trade in goods and services between Macau and China. This agreement opens up new business opportunities for Macau’s entrepreneurs, but it also brings a new challenge for the MSAR government, specifically in its capacity to lead Macau’s society and economy towards more integration with the Chinese Mainland, in the spirit of the ‘one country, two systems’.

The move towards regional economic integration has been mainly propelled by the new political capacity of the MSAR government to establish and develop relations of cooperation with other sub-national governments. The possibility to develop closer links with China’s political elites, regional and central, is a direct consequence of the handover and change of Macau’s political status. From a state-business relations’ perspective, the implementation of CEPA and the new government policies exemplify how the local government has gained a more prominent role in the regional and domestic economies. This means that regional economic integration stems also from a qualitative change in the relationship between government and business in Macau, which mainly consists of the more active role of the Macau government, in representing and acting on behalf of Macau’s social and economic interests in China and abroad. This increase in government involvement contrasts with the pre-handover situation, in which Macau’s leading business associations controlled and mediated the relations between the local, still Portuguese, government and China’s political authorities. The MSAR government has now captured the associations’ political role as the exclusive political representation structure of Macau’s economic interests in China.

After the handover, the Chinese business associations may have lost political importance in bridging the Macau-China relationship. However, they still maintain their strong influence in Macau’s political institutions, especially in the Executive Council and in the Legislative Assembly. This is a pattern coming from colonial
times, characterized by a peak during the transition years, during which the influence of these associations was so strong that they were appointed to the top executive layers of the new MSAR government. After 1999, Macau’s business leaders and government officials seem to converge in the assertion of an ‘old’ socio-political identity, characterized by the cultivation of patriotic ties with China, in exchange for political autonomy and increased economic opportunities. They share similar views about the dual necessity to invest in China and to respect China’s authority, so that they do not miss ‘the golden age of China’s capitalism’. This raises the issue of to what extent business and government have become ‘one and the same’ in post-handover Macau.

The local legacy of Chinese associative patterns has become an organic element of the new governmental apparatus, a claim which provides an answer to this question. In the first place, this is because Macau’s top government officials belong or have belonged to local business associations such as the MCA or MIA. Chief Executive Edmund Ho, for example, was vice-chairman of the MCA, prior to his current position. Secondly, the executive government has introduced a ‘corporate’ spirit in the running of public institutions, as seen from the administrative reforms and political discourse after the handover. The emphasis in the regulation of the local economy contrasts with the non-interference, ‘go with the flow’ attitude of the previous Portuguese administration. This means that changes in Macau’s economic and business patterns might now be an effect of government policy, rather than its cause.

The government officials have gathered more power to initiate and develop a wide range of policies, on their own, or in cooperation with regional or municipal governments. In the years following the handover, it has become more active in regulating Macau’s most important economic sectors – the gaming and the export-manufacturing industries. In the context of CEPA, the ongoing restructuring and diversification of these industries counts with the crucial cooperation of regional governments and of local organizations such as the IPIM and the CPTTM. Either domestically, or regionally, the tendency of the MSAR government is to re-create the associative template, by participating in permanent inter-governmental institutions, or by reforming its own administrative apparatus towards a better public service. The reform of organizations such as the IPIM or the CPTTM constitutes an example of how the MSAR government creates its own mechanisms of economic support, which are meant to ‘free’ individual entrepreneurs from depending on business associations to create or expand their businesses. As these organizations enlarge their competences and take initiatives on behalf of Macau’s business community, they have become major competitors of the traditional business associations, in the task of networking local entrepreneurs with Mainland officials and businessmen. This does not mean, however, that the associations are losing expression as
preferred vehicles of political and economic organization. New associations have been created, mostly in alternative to larger ones, but similarly seeking to have their interests heard and taken into consideration by the local government.

The implementation of CEPA, the partial liberalization of the Macau gaming industry and the restructuring of local manufacturing industries are different manifestations of the same trend of regional economic integration and cooperation with the Mainland. The following chapters provide two different illustrations of this trend, under the claim that the handover has brought socio-ethnic and politico-economic re-alignments in local, regional and national state-business relations. These relations, however, are rendered complicated by the specific patterns of the overall Macau business community and the differences among its players. These include not only generational differences (old and younger businessmen), but most crucially, the types of business organization and the legal differentiation between ‘foreign’ and ‘local’ capital across the above-mentioned industries. Therefore the aim of the following two case studies is to deliver an analysis of Macau’s state-business relations and overall political and economic patterns, along two ‘micro-histories’ telling in detail how local state-business relations have developed around the gambling and textile and garments manufacturing industries.