Regional integration and differentiation in a globalizing China: the blending of government and business in post-colonial Macau
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CHAPTER 6.

The Macau Textile and Garments Industries: industrialization, state-business relations and the shift towards economic regionalization

6.1. Introduction

The textile and garments’ industries are the most geographically dispersed of all industries, both in developed and developing countries (Dicken 1998: 233). The geographic dispersion of the production, distribution and consumption stages has made these industries organizationally complex, but technologically stagnated. On the consumption side of the chain, changes in demand patterns have had profound consequences for textiles and clothing manufacturers, because it is in developed countries that the level and nature of demand for clothing is largely determined. On the production side of the chain, they remain labour intensive industries and thus prone to subcontracting and out-processing arrangements where wages and labour costs are lower, in order to meet the rising demand for cheap and fashionable goods.

Over the last five decades, the production and distribution of textiles and garments for global markets has formed the core of Macau’s export-based industriali-

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1 According to Dicken, while the production of textiles has become technologically more intensive – the output goes to several types of end use – the production of garments (its most important branch) remains less sophisticated in its technological requirements and are basically the same as two centuries ago (Dicken 1998: 235).

2 Final consumers are stimulated to purchase more of these products through fashion-change, marketing devices For example, brand names and designer labels cover a very broad range of products, from the outstandingly expensive to the exceptionally cheap. These devices come to differentiate what are very similar products.
zation. Traditional explanations of industrial development in Macau have almost exclusively relied on economic factors – global or local – but have not paid much attention to the political and institutional context under which these factors are played out. The long-term perspective contained in this chapter serves to fill in this gap by looking at how business is organized in this sector overtime, how the local government bodies have contributed to industrial development processes, and how local entrepreneurs have safeguarded their interests, before and after the transition. The state-business relations framework again highlights the key historical moment – the handover – as the most recent turning point in the economy and polity of Macau.

In the specific case of the textiles and garments industries, the change of government has been crucial for the survival of the local export-oriented manufacturing sector, which has experienced an increasingly competitive environment. Global-scale changes have largely contributed to a ‘race to the bottom’ situation for garment producers and distributors, who have increasingly resorted to subcontracting arrangements all over the globe, in order to keep a competitive edge in quick response, product innovation and quantities sold. The Macau textiles and garments industries are a typical example of this situation: they are composed of a small number of small-scale manufactures and a large number of export firms which have played a critical role in the organisation and geography of textiles and garments manufactures in China’s south coastal regions.

The following chapter is divided into three sections. The first section gives an historical overview of industrial development in Macau and explains how the textiles and garments industries came to play a central role in export-oriented industrialization. Industrial development in Macau is divided into three stages: early industrialization (1890s-1950s), industrial expansion, based on the production of light goods for exports markets (1960s-1980s), and industrial relocation to China (1980s-1999). The second section analyses closely the roles of the government, businessmen and business organizations in the development of these industries before the transition. The third section looks at the textiles and garments industries after the transition: as the transition re-defined the social-economic role of government institutions and business organizations in Macau, these industries pose new challenges – political and economic – for the new government and for the textiles and garments entrepreneurs. A new phase has begun for these industries: the local entrepreneurs now regard China as a booming consumer market, and not only a low-cost supplier. The shift away from the traditional export markets, and into China, has been stimulated by the new government which, besides the main ‘go regional’ policy line, has been increasingly concerned with the situation of industrial labour and employment in Macau.
6.2. Historical overview of the general causes and effects of export-oriented industrialization in Macau: the development of the local textiles and garments industries

Since the late 16th century, the economic history of Macau has revolved around trade. The territory is very small and with few natural resources, and this was enough for the Portuguese merchants to establish a commercial entrepôt and to profit from the opportunities offered by the China trade. Up until the Opium Wars of 1839-1842 and 1860-62, the Macau trading houses (exporting tea, silk and opium to Europe) were included in the Guangzhou trading system and run by groups of Chinese compradors.\(^3\) As mentioned in previous chapters, after the Opium wars, the tense climate between the Macau colonial government and China was actually favourable to the social and economic rise of an essentially local Chinese business elite – with a long and vast experience of trading activities with Westerners. Although they lived in the Portuguese colony – and were thus excluded from participating in local political institutions – they now enjoyed a wide extent of freedom and autonomy in running businesses. Additionally, they were also free from the Guangzhou trading system and from the presence and the taxes imposed by the Chinese Mandarin.

From the 1850s onwards, they flourished in lucrative trade activities – such as the re-export of opium via Hong Kong or the coolie trade – and later, they would lead Macau’s first industrializing experiences.

In the second half of the 19th century, the introduction of new industrial concepts from the West was fused with ancient Chinese manufacturing traditions; in places like Guangzhou, Shanghai, Nanjing or Hong Kong, these conditions were favourable for a local Chinese proto-industrial class to emerge, with capital and know-how on how to deal with Westerners to raise their share in the international trade of China’s products. Macau still played a strategic role in gaining access to foreign markets and, consequently, many of these entrepreneurs came there, either to expand their business operations or to flee adverse political and economic circumstances in China. Industrial development in Macau occurred thus relatively late and out of specific political and economic circumstances: the conflict between China and Western powers giving rise to the Opium Wars, and domestic conflict in China, such as internal rebellions and dynastic replacement.\(^4\)

\(^3\) See Chapter 2.

\(^4\) See Chapter 2.
The Chinese traders and entrepreneurs, who settled in Macau from the mid-nineteenth century onwards, established the first export-oriented manufacturing venues in the territory. Small-scale, handicraft type production had existed for a long time in Macau, in the form of silk and tea processing manufactures (cf. Gunn 1996, Ieong and Siu 1997). These entrepreneurs made the first attempt to diversify Macau’s traditional, small-scale handicrafts into firecrackers, incense and matches manufactures, producing for international markets. In 1900, Macau counted some 15 factories – set up on Chinese capital – processing tea and producing fireworks and matches for European and American markets (Gunn 1996: 83-88). There was no involvement of Portuguese traders in this business, nor any participation from the government in financing these industries, except the usual registration and licensing system for the establishment of these manufactures within Macau’s territorial limits. These early industrial activities still depended heavily on international trade connections and the required transport and communications links, which were the lifeblood of colonial economies such as Hong Kong and Macau.

These export-oriented manufacturing venues were crucial components in Macau’s early industrial development and an indication that Chinese businessmen started to expand their business activities to areas in which, up until then, they had only traded (Cremer, Sit and Wong 1991: 40). In the production of matches, firecrackers and incense, they took advantage of existing technology in the territory, which had been earlier used by the Portuguese to produce guns and gunpowder (Ieong and Siu 1997: 39-40). From the 1900s up until the 1930s these three products – matches, firecrackers and incense – formed the core of Macau’s export-oriented industry to markets in the USA and Europe (Cremer, Sit and Wong 1991: 13). From the 1930s up until the late 1950s, fish products and textiles and garments had a reasonable share in export markets (see below table 2), but it was only in the course of the 1960s, when Hong Kong entrepreneurs started to set up factories in Macau, that export-oriented industrialization really took off (Cremer et al 1991: 15). In the absence of any kind of industrial policy or plans by the Portuguese colonial government, Hong Kong businessmen and investors played a key role in the effort to modernize Macau’s industrial base, with important repercussions for the structure of the local economy.

6.2.1. The ‘rise’ of Macau’s textile and garments’ industries: the Hong Kong factor and the impact of international trade regulations

In 1962, a significant event irreversibly changed Macau’s economic landscape: the award of the gambling monopoly to Hong Kong-born entrepreneur Stanley Ho and
his company STDM (see chapter 5). The STDM’s plans to restructure and modernize Macau’s transportation and service infrastructure renovated the interest of Hong Kong businessmen in Macau. In the course of the 1960s, Macau became a popular destination for Hong Kong’s Chinese middle class, attracted not only by the entertainment provided by Stanley Ho’s growing empire, but also by what they perceived to be new business opportunities.

In the late 1950s, Hong Kong had succeeded in becoming a major industrial base for export trade. Hong Kong’s economy grew to unprecedented levels, but export restrictions to its products – in particular textiles and garments – had already started to emerge. The United Kingdom was the first country to impose restrictions on these products in 1961, followed by the then EEC and the USA in 1962, with the signing of the Long Term Cotton Agreement. This agreement allowed countries like Sweden, Norway and Canada – all three major import markets for Hong Kong’s textiles – to impose similar restrictions through the successive renovation of bilateral agreements between 1969 and 1973 (Cremer et al 1991: 25). In response to increasing restrictions on their cotton exports, developing countries – including Hong Kong – started to diversify their production into man-made fibres and woollen products, to expand product coverage beyond that provided by that Agreement (Moore 2002: 64).

For the Hong Kong-based industries, the advantage of investing in Macau rested largely on the Portuguese Colonial Law of 1954, which had declared free movement of goods between Portugal and all of its colonies, thus providing favourable duty-free access to raw materials and other export markets to Macau businesses. Additionally, Macau was not a signatory to the Long Term Cotton Agreement, making Macau a convenient and close location for Hong Kong’s industries keen on circumventing growing trade restrictions. Macau also offered other significant advantages, ranging from low tax levels and cheap labour costs to a similar social and cultural environment, with a common language and, in many cases, family ties (Jalles 2001: 9-12).

Fuelled by Hong Kong investment, Macau began a period of economic adjustment in which the old, small scale manufacturing premises were replaced by larger factories, producing labour-intensive goods for international markets (cf. Cremer et

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5 In 1961, the UK, the USA and other countries had placed restrictions on textile imports through the adoption of the Short Term Agreement. This was an important first step in establishing an international regime designed to limit the ‘market disruption’ caused by increased competitiveness of cotton goods from developing countries. The success of this one-year agreement led to the adoption of the Long-Term Agreement, providing similar protection to domestic cotton producers (in the importing countries) for a period of five years. The Long-Term Agreement was renovated in 1967 and in 1970 (Moore 2002: 63-64).
From this fresh wave of investment, the textiles and garments’ sector gained a major impulse to become Macau’s number one export-oriented industry. The production of textiles and garments was not novel to Macau, but it had little expression in terms of export trade in comparison with the fireworks industries, until the Hong Kong investors came in the early 1960s. The sharp decrease in the local production of firecrackers, matches and incense and the rise of textiles and clothing activities transformed these into the dominant manufacturing activity. By the late 1960s, as we can see from the table below, local textiles and garments products constituted the bulk of Macau’s export basket.

Macau’s businesses gained from Hong Kong’s ‘spill-over effects’, by not only increasing its production of garments but also by seeking, albeit timidly, to expand and diversify the local textile industry. By the late 1960s, the first woollen goods factory in Macau came into production, laying the foundation of the local woollen industry, comprising mainly the knitwear sub-sector (Jalles 2001: 8). In 1969, textiles and garments industries had virtually substituted traditional manufactures such as tea processing, firecrackers and incense, and constituted 71 per cent of Macau’s total exports employing 40 per cent of the local labour force (Cremer et al 1991: 31).

In the course of the 1970s, Hong Kong industrialists continued to invest in production sites in Macau, motivated by the same reasons: growing trade restrictions and lower production costs. In 1971, the USA adopted the General System of Preferences (GSP), granting preferential tariffs for a selection of products from

<table>
<thead>
<tr>
<th>Exported Products (%)</th>
<th>1930</th>
<th>1958</th>
<th>1969</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish products</td>
<td>26.4</td>
<td>32.8</td>
<td>9.3</td>
</tr>
<tr>
<td>Firecrackers</td>
<td>15.9</td>
<td>20</td>
<td>--</td>
</tr>
<tr>
<td>Matches</td>
<td>15.9</td>
<td>3.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Incense</td>
<td>6.2</td>
<td>4.7</td>
<td>--</td>
</tr>
<tr>
<td>Textiles Garments</td>
<td>5.3</td>
<td>19</td>
<td>71.6</td>
</tr>
<tr>
<td>Foodstuffs</td>
<td>18.3</td>
<td>9.9</td>
<td>--</td>
</tr>
<tr>
<td>Others</td>
<td>12</td>
<td>9.8</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Cremer, Sit and Wong, 1991, p.14
Although Hong Kong was included on the list of the countries/territories to benefit from these schemes, it was excluded from receiving preferential treatment in textile products. In 1974, the Multi-fibre Agreement (MFA) – signed under the GATT’s auspices – established a regulatory framework within which textile exporters and importers were to conduct bilateral trade agreements on the quantities of exported goods, and in which importing countries could take unilateral action in the form of further restrictions (Moore 2002: 64). Hong Kong was a signatory to this agreement – thus remaining subject to restrictions – but not Macau.

When Hong Kong-based exporters found their GSPs being reduced also in non-textile products such as toys and plastics, they again reacted by installing factories in Macau, which by now enjoyed GSP preferential trade conditions (Feitor and Cremer 1991: 189). Although not part of the Multi-Fibre Agreement of 1974, in 1976 Macau gained GSP export access to the USA, Canada and Europe. With the GSP system, a new generation of export-oriented industries emerged in Macau: toys, artificial flowers, electronics and ceramics. These industries developed not only from these trade conditions that gave preferential treatment to Macau’s products, but also from the same crucial kind of investment from Hong Kong that had previously launched the textile and garments industries in the territory (Feitor and Cremer 1991: 184). Despite a rise in the export share of these new products in the late 1970s, it stagnated in the beginning of the 1980s, and the artificial flowers export sector even ceased to exist, as shown in table 3.

Export diversification away from the textiles and garments industries proved difficult in Macau. Because of the GSP system, local entrepreneurs had managed to gain a significant position in international markets, benefiting the most with this situation. On the one hand, they benefited from the know-how and capital investment of their Hong Kong business partners, especially in those industries enjoying preferential treatment. On the other hand, they also benefited from the international trade climate: growing restrictions on textiles and garments was actually favourable to the expansion of these industries in Macau, which now had their own quota, or share, in exporting these goods to Europe and North America.

Throughout the 1980s and 1990s, textiles and garments maintained their leading position in Macau’s export-oriented sector. Yet, the heavy weight of these prod-

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6 In 1968, the United Nations Conference on Trade and Development (UNCTAD) recommended the creation of a Generalized System of Tariff Preferences, under which industrialized countries would grant trade preferences to all developing countries, through the establishment of individual GSP schemes.

7 The GSP allowed for developed countries to grant preferential tariff rates to exports from developing countries. The GSP is a deviation from the GATT’s most-favoured-nation treatment and reciprocity.
 products in the export basket meant that these industries became more dependent on the ability of local entrepreneurs to secure export quotas for their production, and thus more dependent on the Portuguese government to negotiate Macau’s share in international trade agreements. Although Macau was not a signatory member of either the Long Term Cotton Agreements or the Multi-Fibre Agreement, when it became a full member of the GATT/WTO in 1991, it automatically became a signatory to all multilateral trade treaties, including the MFA, which was renegotiated and renamed Agreement on Textiles and Clothing, during the 1994 Uruguay Round.\textsuperscript{8}

The Agreement on Textiles and Clothing (ATC), established a time schedule to abolish all restrictions, including bilateral negotiations, in the international trade of these products.\textsuperscript{9} The abolition of trade restrictions would in principle damage Macau’s competitive position, because the local industries have heavily relied on restricted markets, for which the export volume – quota – is fixed in bilateral trade

\textsuperscript{8} This agreement stipulated a four stage gradual elimination of all import quotas over a period of ten years, and a correspondent gradual expansion of the volume of existing quotas for the time-being. This was to be achieved through a series of bilateral agreements between exporting and importing countries within the stipulated schedule. The major importing markets – like the USA, Canada and the European Union – have kept discretion in selecting the products for which trade is to be liberalized at each stage. This means that the most ‘competitive’ products such as women’s wear or baby clothing were left under quota for as long as possible, though at the latest until December 2004.

\textsuperscript{9} The GATT had allowed for the automatic accession of countries or territories under external administration, a rule that had been applied before to British and French colonies. Macau became a participant in the Uruguay Round negotiations, concluded in 1994, which formally created the WTO (Trade Policy Review Macau, GATT/WTO, 1994, p.89).

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**Table 3. Composition of Macau’s Exports (1982-1998)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles and Garments</td>
<td>76.8</td>
<td>69.7</td>
<td>76.3</td>
<td>73.5</td>
<td>87.2</td>
</tr>
<tr>
<td>Artificial flowers</td>
<td>3.6</td>
<td>2.8</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Toys</td>
<td>7.8</td>
<td>11.8</td>
<td>4.9</td>
<td>4.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Electronics</td>
<td>2.8</td>
<td>4.8</td>
<td>3.0</td>
<td>3.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Others\textsuperscript{b)}</td>
<td>8</td>
<td>10.9</td>
<td>15.8</td>
<td>17.8</td>
<td>11.6</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

agreements. This situation, in which the industrial sector has benefited from export restrictions, contrasts with countries or territories with high industrial output, like India or Bangladesh, in which they loose rather than benefit from quota restrictions. As it can be seen in the table below, the period between 1982 and 1999 saw an increase in the negotiated quota volume, which made Macau’s exports to restricted markets grow much faster than those to open markets, showing a relatively poor performance under non-discriminatory conditions.

Table 4. Comparison of textile and garment export shares in restricted and unrestricted markets (1982-1999)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total share under restriction Artifical</td>
<td>69.3</td>
<td>77.4</td>
<td>80.9</td>
<td>82.3</td>
<td>85.5</td>
<td>86.6</td>
</tr>
<tr>
<td>European Union</td>
<td>45.8</td>
<td>41.7</td>
<td>39.8</td>
<td>36.7</td>
<td>37.1</td>
<td>31.4</td>
</tr>
<tr>
<td>USA</td>
<td>19.8</td>
<td>31.9</td>
<td>37.9</td>
<td>43.5</td>
<td>46.5</td>
<td>53.6</td>
</tr>
<tr>
<td>Canada</td>
<td>3.2</td>
<td>3.4</td>
<td>2.7</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Norway</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.3</td>
<td>–</td>
</tr>
<tr>
<td>Total share without restrictions</td>
<td>30.7</td>
<td>22.6</td>
<td>19.1</td>
<td>17.7</td>
<td>14.5</td>
<td>13.4</td>
</tr>
</tbody>
</table>


6.2.2. The ‘decline’ of the Macau textiles and garments industries: industrial relocation and subcontracting linkages with China

After a period of expansion as an out-processing centre for Hong Kong industries, international trade agreements have pushed up the level of textiles and clothing exports ‘made in Macau’. As the local entrepreneurs increased their export-shares, it became increasingly costly to make local manufactures produce more at lower costs. The 1980s were a decade during which the Macau industrialists and entrepreneurs were presented with new challenges, in particular how to continue increasing export quota shares, while facing rising production costs in a small territory of limited industrial resources.

According to Jalles (2001: 14), the combination of two factors – the opening up of China to foreign trade and investment through the SEZ, and the rising costs of labour and land in the territory itself – pushed Macau’s entrepreneurs to relocate
most of their textiles and garments production bases to Guangdong province, in order to regain competitive advantages for its exports at the world level (Jalles 2001: 14). In the table below, we can see that between 1980 and 1985, there was a sharp decrease in textiles and garments output, a fact which is explained by the increased use of subcontracting linkages across the border by local textiles and garments firms, especially in business activities such as product assembly, acquisition of raw materials and staple products like t-shirts, dyed cloths or buttons (Jalles 2001: 15).

Table 5. Share of Industrial output (1980-1994)

<table>
<thead>
<tr>
<th>Industrial Production (%)</th>
<th>1980</th>
<th>1985</th>
<th>1990</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles and Garments</td>
<td>85.5</td>
<td>69.7</td>
<td>72.6</td>
<td>62.9</td>
</tr>
<tr>
<td>Artificial flowers</td>
<td>2.5</td>
<td>1.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Toys</td>
<td>0.9</td>
<td>7.7</td>
<td>5.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Electronics</td>
<td>1.6</td>
<td>2.7</td>
<td>6.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Others</td>
<td>9.5</td>
<td>18.1</td>
<td>15.5</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>


Table 5 also shows that, in 1990, there was again an increase in output, which suggests that despite industrial re-location into China, the existing textiles and garments factories still contributed to a considerable share of industrial output. In the course of the 1980s and 1990s, though much of Macau’s production base of textiles and garments had progressively shifted to China, some segments of production were still kept in Macau territory, for example, in the finishing stages such as sewing buttons, labels, ironing and packaging. In 1998, there were around 370 garment manufactures and around 100 export companies registered in Macau where close to 100% of the products sold though Macau’s export firms came from China. 10 The necessity to maintain slightly more value-added production segments in Macau, such as labelling and packaging, complements local higher valued-added distribution networks. This also ensures the origin of the traded goods, which have to be ‘made in Macau’, in order to avoid non-compliance with international trade regulations.

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6.2.3. The impact of industrial decline on local labour

Proximity to China and to its vast human resources has turned low-skilled, cheap, migrant labour into a major factor in Macau’s industrial development. Since the 1900s, the development of export-oriented manufacturing in Macau had the advantage of absorbing an expanding population, made up of Mainland refugees, fleeing poverty and war. The textiles and garments industrial expansion in the 1960s and 1970s required more workers, most of them recruited in the Mainland, on a temporary basis. In the course of the 1980s and 1990s, the relocation of more labour-intensive industrial production segments to China meant that many factories moved across the border, while others simply shut down and disappeared. The number of registered manufacturing establishments in Macau dropped from a total of 2,300 in the mid-80s, to 1,700 in 1990, and by 1997, there were around 1,300 manufacturing establishments in Macau, from which around 500 factories were still producing textiles and garments (Chan 2000: 68-69). Not surprisingly, the number of workers engaged in Macau’s factories also declined, as shown below in table 6.

Table 6. Percentage of resident workforce per sector (1990-1996)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles and garments manufactures</td>
<td>28.6</td>
<td>17.9</td>
<td>16.7</td>
<td>14.5</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>6.4</td>
<td>4.9</td>
<td>5.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Construction</td>
<td>– –</td>
<td>7.5</td>
<td>9.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Commerce, Tourism and Hotels</td>
<td>26.0</td>
<td>26.1</td>
<td>25.6</td>
<td>28.4</td>
</tr>
<tr>
<td>Transportation</td>
<td>6.1</td>
<td>5.9</td>
<td>5.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Finance and Property</td>
<td>5.4</td>
<td>6.3</td>
<td>6.2</td>
<td>6.8</td>
</tr>
<tr>
<td>Public Service</td>
<td>26.5</td>
<td>30.4</td>
<td>30.1</td>
<td>28.4</td>
</tr>
<tr>
<td>Others</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Maruya 1999, p.132.

11 The estimates are in percentage of total number of manufacturing establishments.
These figures are not, however, totally representative of Macau’s labour situation, unless we also take into account the ‘non-resident’ workforce, which grew from six per cent of the total workforce in 1990, to almost 20 per cent in 1995. Non-resident workers are usually regarded as temporary labour, distributed among three sectors: manufacturing, services, personal services like housekeepers and caretakers, and construction and public works, which absorb the largest share of the registered non-resident workforce (Chan 2000: 22). Non-resident labour is thus a very wide category, which includes not only floating contracted workers but also illegal workers employed in manufacturing, construction and personal services comprising of a wide range of activities like domestic helpers, masseuses or prostitutes. Official labour statistics do not take into account unregistered and illegal workers because the employment figures do not count the cross-border or ‘floating’ population that works in Macau and presumably goes back to China, either on a daily basis or when the work is finished. In the case of temporary workers employed in manufacturing activities, it is not uncommon for them to often sleep in the factories and to remain in the territory after their contract has expired.

According to Chan, the halving of Macau’s industrial base in the 1990s had to do with low productivity rates, particularly in the textiles and garments sectors, and with the increasing wage differential between Macau and China’s low-skilled workers (cf. Chan 2000). Overall, Macau’s workforce remains relatively low-skilled – higher education background is low compared to Hong Kong and other high-income economies in Asia, such as Singapore or Japan – which is a hindrance to increase skills, labour productivity and mobility across sectors, and of course to increase wages (Chan 2000: 21). In addition to this, the increase of non-resident workers, especially from China, have helped the Macau companies to maintain lower labour costs. Though the phenomenon of non-resident labour is more intense in the construction sector than in the manufacturing sector, the side effect is that it keeps the wages low. According to an AGOM representative, today ‘in Macau there is no labour shortage, but there is a shortage of cheap labour (...) even to improve productivity and efficiency, the only way is to raise the wages’. Since the beginning of the 1990s, the relocation of labour-intensive production across the border, the influx of migrant workers from the Mainland to work in large construction projects, and the growing demand for skilled workers for the expanding services sector have created a situation of rising unemployment and underemployment, with strong incidence in the manufacturing sector (Ieong and Siu 1997, Maruya 1999, Chan 2000).

13 Ponto Final, 25 May 1996.
14 Interview with Wu, Macau, July 2004.
Table 7. Unemployment and Underemployment Rate (1990-2000)

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<thead>
<tr>
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<tbody>
<tr>
<td>Unemployment rate (%)</td>
<td>3.4</td>
<td>2.2</td>
<td>4.5</td>
<td>5.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Unemployed persons (#)</td>
<td>N/A</td>
<td>N/A</td>
<td>9,400</td>
<td>11,600</td>
<td>15,200</td>
</tr>
<tr>
<td>Underemployment rate (%)</td>
<td>2.4</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Underemployed persons (#)</td>
<td>N/A</td>
<td>N/A</td>
<td>3,200</td>
<td>3,600</td>
<td>5,800</td>
</tr>
</tbody>
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As shown in table 7, in a period of ten years the rate of unemployed workers increased, as well as underemployed workers. Underemployment occurs when the workers – for involuntary reasons and regardless of their employment situation – work fewer hours than they would expect, and are thus available or looking for additional work. According to the Macau annual employment survey, underemployment occurs mostly to low and semi-skilled workers from the industrial manufacturing sectors. In the case of the textiles and garments industries, the manufacturing workers are low-skilled, middle-aged women, with few possibilities in making a career in services, either as bartender, waitress or salesperson. The expansion of the services sector, propelled by the growth of the gambling and entertainment sector, did not facilitate labour adjustments in Macau because the workforce ‘released’ by the manufacturing sector could hardly be transferred to the services sector. The majority of low and semi-skilled jobs available in the low-end services sector have been filled by relatively young employees: mostly female migrants from China, the Philippines or Thailand, because Macau entrepreneurs usually prefer to ‘recruit young and pretty workers [female] and not middle-age, low-skilled ones.’

The increase in unemployment, and specifically underemployment in the manufacturing sector, has caused widespread concerns about, and criticism towards, government policies – or lack of them – concerning labour issues. As the unemployment and underemployment increased during the 1990s, the estimate of non-resident workers has also increased, and thus we cannot rule out the explanation that the relatively high number of imported workers has affected the employment situation of Macau, not only in manufacturing but in the low-end of the services sector as well (cf. Chan 2000).

16 Interview with C.V.K., Macau, February 2004.
6.3. Patterns of economic and social organization in the textiles and garments industries before the transition

In the previous section, we have seen how industrial development in Macau was largely an effect of expanding trade conditions and opportunities, rather than its cause. In other words, the development of an industrial base in Macau departed from an initially advantageous trading position, rather than on other advantages, like labour or surplus production.

One important contribution in this respect is by Feitor and Cremer (1991). These authors identified five major factors that have decisively contributed to industrial growth in Macau: a favourable geographic location (proximity to China and Hong Kong); a liberal economic system with limited government intervention; favourable access to foreign markets; entrepreneurial talent and low labour costs (Feitor and Cremer 1991: 188-190). The weight or contribution of each factor has varied over time. For example, the favourable geographic location of Macau is a natural given, but the political and economic effects of this condition have acquired different meanings over time. Macau’s favourable access to foreign markets has also depended on historical circumstances, though, as we have seen earlier in this chapter, it was as a decisive industrialization factor from the 1960s onwards. However, the other three factors outlined by Feitor and Cremer – low labour costs, low government intervention and entrepreneurial talent – can hardly be analysed separately; they are inextricably linked in the institutional patterns that characterize and organize the textiles and garments industries in Macau, blending old legacies of colonialism and business elitism with new political and economic trends. The aim of this section is to re-evaluate the development of the textiles and garments industries in Macau from a state-business relations perspective, which looks closer at the role of the government and the local business associations in these industries before the transition.

6.3.1. The organization of the textiles and garments industries

In Macau, the textiles and garments industries are characterized by the existence of a multitude of small firms (usually family-owned), engaged in activities that range from processing to exporting the products, and which have been set up mostly with migrant or foreign capital, from China and Hong Kong (cf. Cremer et al. 1991). These small enterprises do not really compete against each other, but rather form a ‘dual economy’, in which they complement and supplement the larger ones in a symbiosis that enables them collectively to confront and cope with the uncertainties
engendered by the unpredictability of export demand (Cremer 1991b: 2). The ‘dual economy’ argument can also be applied to the development of subcontracting relationships between Macau and Mainland firms in the textile and garments branch. The new industrial venues in the Mainland complement and supplement the Macau firms; in the same way these had earlier complemented Hong Kong industries. But contrary to the initial situation in which industrial capacity grew mostly based on Hong Kong’s investment, inter-firm linkages between Macau and the Mainland have produced a sharp decline in the territory’s industrial output, notably textiles and garments, while keeping export levels high.

From a state-business relations perspective, this situation can also be explained by the local patterns of economic and political interaction, which have crucially shaped the development of these industries prior to the transition. These patterns suggest that the textiles and garments’ industries have constituted ‘typically Chinese businesses’ and that their business operations have developed free from any major government involvement (cf. Cremer 1990, Sit 1990, Cremer et al 1991).

Lending evidence to the first argument is a strong tendency shown by the individual companies of Macau to seek collective representation mechanisms, through membership in local Chinese economic associations. The Macau entrepreneurs have traditionally relied on these organizations to gather economic support to expand their individual businesses, to gather information and to develop business contacts in the Mainland and abroad. The path towards export-oriented industrialization has required flexible and adaptable entrepreneurship and consequently the local business community became more diverse and organizationally more complex. Backed by Hong Kong investment networks, since the 1960s the Macau entrepreneurs searched for a more specialized collective representation, with the support of Macau’s major business association: the MCA. Two such examples are the MIA (Macau Industrial Association) and the MEIA (Macau Exporters and Importers Association), both created in the 1960s. Together, these associations have played a very important role in industrial organization and in local policy-making processes in Macau. They have managed to minimize the application of international rules concerning origin criteria, especially in the late 1970s and early 1980s when local industrialists started outsourcing their production activities in the Chinese Mainland. They have been fundamental actors in the policy-making and policy-implementation processes by actively participating in Macau’s government bodies.

The lack of government intervention and participation in Macau’s industrial development is particularly true concerning the expansion period of the textiles and industries in Macau, but as we have seen earlier on in this study, this was also part of a legacy of colonial ‘laissez-faire’, in which Chinese business affairs were outside of government reach. Though the setting up of businesses has depended more on family savings and personal connections, than on government policies, the colonial
infrastructure was a crucial factor in the development of these businesses, because it was the channel to get access to international markets.

6.3.2. The role of the government in industrial development

In the 1960s and early 1970s, the colonial government did not pay much attention to the local industrial sector, which remained largely an independent concern of Chinese businessmen, local or from Hong Kong. After 1976 – the year of Macau’s inclusion in the GSP system and the year of the implementation of the Organic Statute – the climate of uncertainty regarding the political future of Macau absorbed the attention of the Portuguese administrators. It was only in 1985, already with the transition in sight, that the Macau government established for the first time a legislative framework for industrial policy, in the form of fiscal benefits and financial incentives to better achieve export diversification for Macau’s products. These government-sponsored incentive schemes – such as tax cuts and loans for the construction and/or purchase of premises and/or new equipment – were little used, mainly because the majority of the Macau entrepreneurs was apathetic towards the government and usually relied on their own economic networks and associations for this kind of support (Cremer et al 1991: 205).

Throughout the transition period, the Portuguese administration nevertheless developed a significant role in representing the trade interests of Macau’s industrialists and exporters within international organizations. After 1987, the Portuguese administration made a significant effort to include Macau in these organizations, which further contributed to the increasing dependency of local textiles and garments industrialists on specific trade instruments to keep its export-oriented focus. By facilitating the access of the Macau producers and exporters to external markets, the government influenced to some extent the conditions under which the local entrepreneurs operated and interacted. This was so because it embraced the role of officially representing the Macau’s economic interests abroad in the negotiation of the trade agreements.

The private sector (through representatives of the main associations) participated in the formulation of Macau’s trade policies through the Government’s

17 See, for example, DL 49/85/M covering initiatives on investment promotion, industrial modernization and sectoral diversification; DL 95/85/M and DL 1/86/M, on general principles governing the role of administration in industry (substituted by DL 71/87/M).

18 A situation which still remains today, despite the change of administration and the facilitation in communication (Interview T.K.I. Macau, February 2004).
Economic Services Advisory Board and through the Textiles Industry Advisory Board. These boards were composed of an equal number of representatives from the MCA, MIA and MEIA and from specialized governmental departments. The main objective of these boards was to co-ordinate policy objectives between government agencies and the private sector, and act as a platform for exchanging advice and information as well as for linking domestic industries’ representatives with foreign institutions. In 1994, the two advisory boards were replaced by the Economic Consultative Council, bringing together the Governor himself, the Secretary for Economy and Finance, sixteen senior government officials and sixteen individuals proposed by the MCA, MIA and the MEIA. The existence of these advisory boards on foreign trade policy, which notably excluded labour organizations and representatives, is indicative that in Macau policy implementation and legislation have conformed to the existing practices, which mainly consisted of low trade controls and no government involvement in the local industries. One example of governmental policy implemented in conformity with the existing practices is the 1991 government decision to enforce policy instruments spelling out for the first time the rules of quota distribution. During the 1980s, the policy guidelines of the government of Macau mentioned already the ‘necessity to develop and perfect quota allocation rules’, but these were subject to the advisory board internal procedures and not to any specific legal mechanism.

The performance of the Portuguese administration in respect to international trade has been praised both by private entrepreneurs and current government officials alike. One entrepreneur affirmed categorically that ‘the Portuguese government was a key force in protecting and expanding Macau’s business interests abroad.’ Another one recognized the importance of Macau’s accession to international organizations – especially the WTO – although he was of the opinion of the Portuguese as being ‘lousy businessmen, but good administrators that managed to secure a large share of export quota for Macau’s producers.’ The praise of the previous government’s performance is proportional to the relative success of local business interests in influencing government policies so that they remained free

19 LAGs 1982, p.31.
20 Interview with Jorge Rangel, Macau, February and March 2004.
21 Interview with Jorge Rangel, Macau, February and March 2004.
22 Legislation for Quota Allocation rules, by Governor’s Decision (D-40/GM/91 and D-59/GM/94).
23 LAGs 1984, p. 40; LAGs 1987, p.29.
24 Interview with L.L., Macau, March 2004.
from state intervention in the setting up and running of their industries, but still ensured the government’s protection of their interests abroad.

6.3.3. Institutions of industrial support and collective representation: 
the MIA and the MEIA

Members of the Macau Commercial Association established the Macau Industrial Association (MIA) and the Macau Exporters and Importers Association (MEIA) in the 1960s. The local industrial sector was growing, thanks to a fresh wave of Hong Kong investment, and the import/export sectors were becoming more diversified. The MIA and the MEIA were created to provide specific representation mechanisms for the Macau industrialists and entrepreneurs. They constitute institutional, semi-public spaces offering opportunities to their members to enhance their business networks, simplify modes of economic operation and, for those who become leaders, to participate in Macau’s political institutions as advisors in policy decisions and the drafting of laws.

These associations have pre-existed specialized government boards dealing with trade and industry issues, and because of their growing influence over the colonial government, they have also had considerable influence in the organization of the industrial and the export sectors in Macau. For example, they share a similar politico-economic function of uniting and collectively representing the Macau businessmen of these sectors, in applying for non-resident labour permits, guaranteeing export shares or providing support for offshore manufacturing activities – in exchange for assistance to individual members.²⁶

Both the MIA and the MEIA provide the highest representation mechanisms in the fields of industry, import and export trade. These associations are two of the largest business associations, with more specialized economic functions vis-à-vis the MCA and with substantial political influence. The MIA has a very comprehensive charter of objectives, activities, rights and duties, which include fighting for better treatment on textile quotas, organizing trade delegations abroad, assisting members in business ventures with Mainland China, participating in drafting laws and regulations, and to negotiate with the Government on permissions for outwork processing. Similarly, the MEIA has sought ‘to unite all import and export entrepreneurs in order to enhance Macau’s overall competitiveness’, while ‘constantly keeping an eye on government economic policies’, so that the interests of local exporters are protected.²⁷

²⁶ Charter of the Macau Industrial Association (http://www.madeinmacau.net/introduction/rules.html)
²⁷ www.macauexport.com/english/services.html
The MIA and the MEIA have had a very important role in the development of local textiles and garments industries for two main reasons. The first one concerns the participation of these associations in government advisory boards and local political institutions, where they could directly influence government policy in industry and trade, and indirectly influence the legislative process by nominating deputies to the Macau Legislative Assembly. The second reason concerns the way through which they have directly participated in the distribution of export quotas among the local entrepreneurs. While the role of the Portuguese administration was to negotiate quotas with importing countries and territories, organizations like the MIA and MEIA were the effective auctioneers of export quotas, and whoever fell outside the scope of these organizations would have difficulties in securing export shares.

6.3.4. The quota allocation process and the issue of compliance with international trade rules

The quota system has been a determinant factor in the development of the textiles and garments industries in Macau. It provides the first example for how the patterns of interaction between government and business in this industry perpetuated the economic and political power of the largest associations in the period during the transition, with no major benefits to these industries in Macau, and with major disadvantages for local labour interests.

Basic trade-related legislation in Macau has minimum import and export trade controls, but since 1991, it is very specific on export quotas – quantitative trade restrictions negotiated in bilateral agreements – which in Macau are only applied to textiles and garments products. The MES (Macau’s Economic Services) is the official government body that holds and distributes export quotas to individual firms and exporters from Macau. In the case of textiles and garments under these restrictions, the local government required a proof of origin of the goods – origin certificates in conformity to GATT /WTO rules – as the general criteria to award export quotas. More specific criteria included the past performance of the individual firms, the kind of technology or investment used (modern technology meaning a better chance in obtaining quota), and the volume and value of the orders received.

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28 For more on this point, see Chapter 3.
29 Decree-Law 50/80/M (revised several times and replaced by Decree-Law 7/03/M, regulating Macau’s external trade.
30 Legislation for Quota Allocation Rules, D-40/GM/91.
31 Which contrasts with Hong Kong’s open auction system.
by the Macau firms (more orders also meaning a better chance for a quota). The enterprises’ performance was evaluated by the MES, under supervision of the Consultative Council. The system worked in the following way: every year in January, an initial quota was given to foreign trade operators, registered exporters and manufacturers alike, based on their previous year performance. Those who received the initial quota were expected to use at least 60 per cent of its volume before the end of August. If there were shortfalls, the rest of the quota would be re-allocated by the MES in September. The initial quota covered about four fifths of the total available quota and the remaining fifth was allocated in the form of incentives or additional quotas.

The quota was, in principle, not transferable, but there were a number of twists to Macau’s quota allocation system. It was usual practice for the established entrepreneurs to sell or transfer their initial quotas to all kinds of companies (foreign trade operators, exporters and manufacturers) and the MCA and the MIA usually provided the ‘social’ platform where the transfers would occur. On their websites, they have a ‘membership-only’ web forum for quota exchange, and supply quota levels, lists of products, or deadlines – information which is also available at the government’s website. The conditions were negotiated directly between buyers and sellers, similar to a stock-exchange market, run by the MIA and MEIA: ‘the quota market in Macau is dominated by a very few companies: the largest and wealthiest distributors, who usually acquire all quotas before selling or leasing their use to the other producers.’ Either on a temporary or on a permanent basis, the transfer of quotas had, in principle, to be registered in the Macau Economic Services. In cases of temporary transfers, the original quota owner remained entitled to retain the ‘past performance’ status in the following year’s allocation process. In the case of permanent transfer, the new quota owner then replaced the operator. This system made it difficult for newcomers, who could only enter the market by buying the remaining initial quotas from other entrepreneurs or by applying for incentive quotas.

As Macau’s well-established textiles and garments’ manufacturers and traders have benefited considerably from quota allocation mechanisms for their exports, they have also either shifted or subcontracted most of their production activities across the border. However, since Macau became a member of the GATT/WTO in 1991, the usual business of subcontracting production in Mainland China has en-

32 Legislation for Quota Allocation Rules, D- 40/GM/91.
33 Interview with T.K.I., Macau, February 2002.
34 Incentive quotas were first introduced in 1991 and were conditional upon the company’s investment in new equipment and its export performance in the markets.
dangered compliance with rules of origin established by the main importers – USA, Canada and the EU. In 1990, the USA threatened for the first time to terminate trade agreements with Macau alleging trans-shipment practices and infringement of origin rules. Trans-shipment occurs when the goods produced in any given country are transported to a third country or territory, which is neither subject to trade restrictions nor, in the case of export quotas, which does not make full use of them. The result of the dispute was a reduction of Macau’s export quotas and recommendations to the Macau government to intensify border controls, to sanction the companies by claiming back their quotas, and to cooperate with US Customs inspections of Macau’s manufacturing activities. In the following years, Macau frequently faced these kinds of accusations and the quota levels were subsequently reduced in 1996 and in 1998.

In 1998, a report by the US Trade department revealed that in Macau there were several factories that could not prove they had produced anything, factories that declared production but they were not duly registered, ‘factories that changed name frequently and that used false origin certificates.’ Facing the possibility of an American embargo against Macau’s textiles and garments’ exports, the Macau government was under American pressure to crack down on these factories, applying fines or shutting them down. The still Portuguese administration responded by claiming that the accusations were exaggerated and the result of a miscommunication. In Macau, there is no legal distinction between importers and distributors within the commercial operations category and Macau’s extremely liberal climate does not require commercial operators to have their accounts organized for fiscal inspections. Later the same year, the Macau government agreed for the US Customs Department to conduct bi-annual inspections to the local factories. The result of these inspections was that, from the 126 factories producing garments, sixty-five passed the test. The others had to pay fines, or otherwise, shut down.

The Portuguese authorities had to face heavy criticism from the local Chinese press, claiming that the actions taken by the US Customs department were ‘pure politics’ and a means ‘to demonstrate to the local authorities that they were not in charge’. According to their viewpoint, before letting the Americans in, the Portuguese administration should have taken the initiative of supervising local factories:

38 Ponto Final, 26 March 98.
41 Va Kio, 5 August 1999.
it was thus ‘a lesson that should be learned by the future MSAR authorities in order to avoid such situations from happening.’

The US Customs Department’s interference was damaging for some of Macau’s textile and garments businesses. In an interview to a Macau newspaper, the owner of one of the ‘black-listed’ factories in the US report stated that for more than thirty years his firm had been exporting jeans to the US, and admitted that in the last fifteen years some of the products distributed by his firm had been produced in China. His explanation was that he could not gather enough people in Macau to produce for all the demand he had. He also complained that he had tried to obtain the government’s permission to contract non-resident workers but saw his request refused, leaving him no other option but to engage in ‘other’ practices to satisfy the importers’ demands. He asserted that it had not been profit which motivated him, but highlighted the fact that ‘if it is true that producing ten pairs of jeans in China costs MOP 50 and in Macau MOP 95, it is also true that a good part of the difference gets lost somewhere between the two places.’ This example clearly shows that entrepreneurs who depend on quotas are very vulnerable to external factors, and that those who see their requests refused by the government, crucially depend on social and business networks to be able to continue export, or to find other distribution channels for their production. According to one entrepreneur of the garments sector interviewed in 2004: ‘You can smuggle anything into Macau (…) I’ve smuggled many times – which is not right, but I had to’.

The international trade climate has had a wide impact on the Macau textiles and garments entrepreneurs, because of their dependence on export quotas and their ‘failure’ to comply with origin rules due to the wide use of subcontracting activities in Mainland China. The favourable social and political situation of Macau’s entrepreneurial class has enabled them to cushion these negative effects. However, the impact of external factors, via the local business elites and their associations, has affected the Macau industrial workers even more.

6.3.5. State-business relations and the issue of labour

Throughout most of the twentieth-century, Chinese industrialists and Portuguese

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42 Va Kio, 5 August 1999.
43 Ponto Final, 17 September 1999.
44 Ponto Final, 17 September 1999.
45 Ponto Final, 17 September 1999.
46 Interview with V.K., Macau, March 2004.
colonial administrators alike have dissuaded any politically meaningful form of labour organization in Macau, outside commercial guilds and associations. On the Portuguese side, during the period of the Estado Novo (1926-1974), any form of industrial labour organization was expeditiously suppressed in Portugal and its colonies. Industrial development was kept strategically small, so that the government could, in principle, control and suppress the spread of communist ideology or unionisation attempts. For the Chinese entrepreneurs, the overall lack of labour legislation and labour organization outside the firm or sectoral association was useful for Macau’s nascent industries, which had found a way to make use of a large pool of low and semi-skilled workers who had come to Macau from the Mainland to escape poverty and seek refuge. During the Japanese occupation and the Chinese Civil War of 1945-1949, Macau’s population is said to have risen to more than 400,000, adding an estimate of 150,000 Chinese refugees to an existing population of 220,000, prior to the Japanese Occupation.  

Industrial development was taking off in Macau, making use of an expanding population. In 1950, the Macau Workers General Association was created with the support of the Chinese Communist Party, but because of the colonial circumstances of Macau, in which attempts to unionise meant trouble with both the businessmen and the Portuguese authorities, it remain unregistered until 1983.  

The Portuguese administration depended on local Chinese elites to run the local economy, which explains why the Portuguese were traditionally sensitive to the needs of the industrial and commercial leaders. When the Portuguese designed the Organic Statute in 1976, they established the boundaries of a semi-democratic Macau, with no channels available, other than the traditional business association, through which workers could make their claims or express their demands. 

Contractual relations were for a long time an area ‘regulated by the market’, and moulded according to traditional business habits, which expressed disadvantages for the workers (Sousa Santos 1998: 216). Until 1984, labour issues and disputes had been traditionally dealt with informally between the employer and employee, and in case of acute conflict, by a third party – usually the MIA. With no government intervention or any public institutions to recur to, labour relations and disputes remained a private matter, usually solved to the employer’s advantage. 

Labour legislation was non-existent in Macau until 1984. As we have seen in Chapter 3, in 1984 universal suffrage was extended to all the territory’s residents. With these reforms, labour associations’ representatives gained a direct seat in Macau’s Legislative Assembly, acquiring thus a more substantial political role. The
first labour law to be implemented in Macau laid down the basic conditions to be observed in local labour relations.\(^{49}\) This law had an ‘experimental’ character and was valid for one year, at the end of which representatives of business and labour associations should further discuss the definitive terms of labour laws. For workers associations it became relatively easy to pressure a vulnerable and transitional government to develop more channels voicing local labour interests.

The Labour Affairs Office was created in 1984 under the Economic Services Department. In 1987, a tripartite platform to solve and mediate labour issues (Conselho Permanente de Concertação Social) involved, for the first time, workers’ representatives, together with representatives from the business community and the government. By participating in this Council, local workers’ associations were, for the first time, considered social partners in developing and coordinating policies. However, the creation of tripartite institutions (with government, business and labour having an equal number of representatives) did not reach the expectations of labour representatives, who condemned the poor performance of the Portuguese administration in taking the initiative to legislate on sensitive issues such as the importation of workers and the lack of a minimum wage.\(^{50}\)

Regarding the importation of workers, in the absence of a legal framework regulating labour relations, it was through the MIA that those entrepreneurs applied for licenses to import workers for their industries. In Macau, entrepreneurs have usually believed that it is more efficient to hire temporary workers than actually follow residency permit requests (Sousa Santos 1998, Ferreira 1994, Chui 1994). In 1988, the government implemented a labour importation policy, which came not in the form of decree-law, but as a governmental decision. This decision is a good illustration of the social advantage and political influence of the local business associations because governmental decisions were not subject to the Legislative Assembly’s approval —nor to the scrutiny of labour representatives. The 1988 decision allowed companies to import foreign workers, in the event the local labour force would not be sufficient (in numbers and/or skills), to meet the employers needs. Unskilled labour should be recruited directly by the employer, who was also responsible for the accommodation of the temporary workers and their repatriation, once the contract terminated.\(^{51}\) These policies did not specify the employment conditions for the imported workers, nor did it fix any minimum wage level, but gave official means to local entrepreneurs to hire cheaper labour from the Mainland and from other Asian countries, as ‘temporary non-resident workers’. Granting temporary,

\(^{49}\) Decree-Law 101/84/M.
\(^{50}\) Interview Wu Chang, Macau, July 2004.
\(^{51}\) Decision 12/GM/88 and D-49/GM/88.
non-resident status to employed workers had allowed local firms to solve labour shortage problems quickly, but has also induced a tendency to avoid investing in the professional training of unskilled and semi-skilled labour segments in order to raise their productivity level (Chan 2000: 20-21).

Rising unemployment, issues pertaining to legal and contractual differentiations between resident and non-resident workers, and the situation of illegal workers, pushed the government forward to legislate in an area which so far had almost exclusively served the entrepreneurs interests. In 1989, the government replaced the 1984 decree-law by the Labour Relations Ordinance, and created the Labour and Employment Department (DSTE) which would replace the Labour Affairs Office as the official body to coordinate and implement Macau’s nascent labour legislation.\textsuperscript{52} The 1989 Labour Relations Ordinance did specify basic employment conditions, but only for resident workers.\textsuperscript{53} It did not interfere in the wage determination process – again up to the employer – simply because the government of Macau does not guarantee a minimum wage. In Macau, the entrepreneurs frequently resort to daily wages – as in the construction sector, or on a piece-rate basis – as in the textiles and garments industries. The focus of this legislation was on long-term working contracts and it therefore excluded workers that worked on daily or piece rates, and non-resident workers who fell outside this legal framework. For example, regarding the right to a 48-hour weekend, this law stipulated that if the employee voluntarily works on the weekend, he or she should be entitled to double pay. Yet, it also distinguished ‘monthly workers’, who work on a monthly salary and to whom the double-income rule is applicable, from ‘weekly workers’ or temporary non-resident workers, who receive pay according to the quantity and/or quality produced.

Throughout the 1990s, a number of social issues emerged in the political debate, mainly denounced by local workers’ organizations such as the AGOM. In the context of growing trade disputes with importing countries, in 1990 the textiles and garment workers started to voice their protest against the closing down of factories, accusing the government of supporting the importation of non-resident workers that took jobs from the locals and directly contributed to rising industrial unemployment (Sousa Santos 1998: 213). At a crucial stage of the transition, government policy concerning labour did reflect a tendency to intervene and regulate, but in issues such as wages and labour importation it clearly favoured the businessman/employer side, and their private ways of dealing with workers.

\textsuperscript{52} Decree-Law 24/89/M.

\textsuperscript{53} For example banning child labour, setting working time per day and per week, and prescribing paid maternity and annual leave (DL 24/89/M).
6.4. Post-handover industrial restructuring: the regional integration of Macau’s textiles and garments industries

After the transition, the decline of the textiles and garments sector has posed a major challenge for the government and entrepreneurs alike. The general business orientation of Macau’s textiles and garments entrepreneurs now follows the ‘go regional’ policy, in which further economic integration with Zhuhai is expected to help Macau’s manufacturing sector to adjust to new circumstances, with the possibility of further expanding into the Mainland. Yet, this requires a major political and economic effort by the government and by the local entrepreneurs.

The textiles and garments entrepreneurs had in the past enjoyed and profited from preferential trade access to the US and EU markets, under the form of bilateral quota agreements, despite the decrease in local industrial output. This situation has changed with the liberalization of global textiles and garments in 2005, bringing an end to all these agreements. For Macau’s entrepreneurs, the end of the quota system calls for further market integration with China, not only to produce but also sell their products in China, a possibility that has been enabled by the CEPA agreements.

Macau’s long-lasting economic reliance on the textiles and garments industries to achieve and maintain export capacity, while making use of low-skilled labour both in Macau and in China, has not entirely disappeared. In 2000/2001, the textiles and garments industries continued to hold a significant position in the overall economy, employing around 20 per cent of the local workforce and holding a share of 85 per cent in Macau’s exports. However, labour issues have climbed higher onto the new government’s agenda because lingering industrial unemployment complicates the ‘natural’ market integration of Macau’s textiles and garments businesses with Mainland counterparts. The new government is under pressure to proceed to the necessary legislative changes so that Macau’s domestic population comes first.

6.4.1. The end of the quota system and its effects on local businesses

The PRC’s admission into the WTO in 2001 meant, among many things, that it became automatically part of the Agreement on Textiles and Clothing (ATC), thus

56 Interview with Lee Peng Hong, Macau, April 2002.
competing directly with Macau’s exports.\textsuperscript{57} With the liberalization of the global textiles and garments trade, the perception of local government officials and businessmen alike is that China’s presence in the WTO will be beneficial in creating more business opportunities for Macau entrepreneurs.\textsuperscript{58} The end of the quota system has thus precipitated a restructuring of the manufacturing sector, which should now have a stronger regional outlook to compensate for the loss of export shares.

However, according to an MSAR government official, the local entrepreneurs actually know very little of WTO issues: ‘they are indifferent to WTO agreements and hardly bother to ask for clarifications.’ This means that WTO policy in Macau is largely a matter for the government, and that to join these organizations is important and useful not so much in actual benefits for local businesses, but more ‘to learn what is out there, to learn about other development strategies and experiences that may be useful for Macau.’\textsuperscript{59} Still, according to the same official, Macau has no significant position in the WTO alone, but in combination with China and Hong Kong, it can achieve a more pro-active role in this organization. Macau’s participation in global trade terms is less than one per cent, even the importance of the US and EU markets relied fully on quota agreements, which ceased to exist in 2005. Macau can still act autonomously in all economic issues, but it does not have any political weight in its international position or status against the interests of the PRC. For the Macau government, ‘the dismantling of the quota system is a relief; the trade disputes, quota allocations and control will soon be over and this will substantially unburden governmental functions.’\textsuperscript{60}

The end of the quota system is also a relief for some local entrepreneurs, to whom international trade disputes have been a ‘headache’.\textsuperscript{61} One local entrepreneur is aware of the ‘price squeeze’ in the textiles and garments industries and admits it is difficult to control both the suppliers and the working conditions in Mainland factories.\textsuperscript{62} However, he believes that trade sanctions based on human rights and health and safety issues end up hurting only producers, never the retailers, because

\textsuperscript{57} Every developed country faces a potential invasion of Chinese textiles and garments exports with the liberalization announced in the ATC. Therefore safeguard clauses have been included in the ATC that may be invoked in cases of import surges, providing for the possibility to reinstate quotas.


\textsuperscript{59} Interview with T.K.I. February 2002 and February 2004.

\textsuperscript{60} Interview with T.K.I., February 2004.

\textsuperscript{61} Interview with L.L., March 2004.

\textsuperscript{62} By this he meant that, the consumption prices are relatively low but with high turnover of production, keeping thus the wages low in the production stage.
in this business the consumer just cares about two things: price and quality.\textsuperscript{63} After considering that both major brands and consumers, in America and Europe, are increasingly concerned with ‘sweatshop scandals’ – which may change consumption patterns – he answered automatically: ‘here it is not an issue: we are only concerned with quality of the products and with just conditions for our workers and business partners.’\textsuperscript{64} Although this entrepreneur admits that the end of the quota system is going to have a major impact on local enterprises, he also says that eventual negative effects depend on what the companies are doing now, ‘because we have known for a long time that this would happen and we are prepared for it.’ His factory does not focus on ‘exclusively’ producing brand-name products alone, such as Guess, GAP and Levi’s. The premises have also been expanded into a raw-material warehouse – material preparation, colours and assorted sizes – and distribution centre, packaging and selling directly to the shops, ‘skipping the shipping guys’. In his opinion, the impact of the end of the quota system is actually a blessing in disguise for those like him who depended on export quotas, because the political and economic climate is propitious to expand the garment business even more, by venturing to sell in Chinese markets. Another entrepreneur – though not in the garment trade – has suggested that many companies might decide to close down because of the end of the quota, but they will not entirely disappear: ‘there might only be fifty factories, instead of 150 or 300, but it is the survival of the fittest (….). This business will exclusively depend on what is going on in China, and you can be successful either by selling there or taking up jobs and factories in the Mainland to keep selling outside.’\textsuperscript{65}

\textbf{6.4.2. Industrial policies: The Macau-Zhuhai cross border industrial park}

The MSAR government has optimistically stressed that increased cooperation with Guangdong province will enable the relocation of Macau’s industrial workers and the diversification of its industrial base. The creation of a ‘Macau-Zhuhai cross-border industrial park’ constitutes ‘hard evidence’ of post-handover economic cooperation between Macau and the PRC. This industrial park is expected to stimulate local entrepreneurs and industrialists to upgrade manufacturing processes and, more importantly, to develop high technology manufactures. It constitutes an invitation to the local and regional business networks to further invest in industries – other

\textsuperscript{63} Interview with L.L. Macau, March 2004.
\textsuperscript{64} Interview with L.L. Macau, March 2004.
\textsuperscript{65} Interview with E.Y. Macau, March 2004.
than gambling, entertainment and tourism. This strategy falls into a clear region-oriented project, where full cooperation with Guangdong is, according to the new Government of Macau, the way to solve all of Macau’s economic problems.

The MSAR government expects the park will provide an opportunity to diversify Macau’s industrial base while keeping its economic and social stability. By directly supporting this initiative, the MSAR government promises to reduce local unemployment while giving an alternative solution for local entrepreneurs to enjoy lower labour costs. Since the MSAR government has decided to give priority to the local workforce, at least 20 per cent of the total workforce in this industrial district has to be from Macau. Local industries moving to the park will no longer need to resort to labour importation policies, but will still be able to hire a large number of Mainland workers, both low and high skilled.

Still essential in this strategy are the textiles and garments industries. According to a local government official, there is potential new investment in this sector if the local entrepreneurs look in directions other than the traditional export markets, namely China. As long as Macau can supply the conditions and the workforce, Canada and Japan are potential new investors; especially those entrepreneurs who want to try to sell their products in China. The construction of the industrial park lends evidence that, even with the CEPA, Macau continues to be very dependent on foreign investment to upgrade its export industries which, despite all diversification efforts, is still overwhelmingly concentrated in textiles and garments manufacturing.

Although the CEPA is regarded as a good opportunity to diversify the industry, the government also recognizes that the weak position of the local textiles and garments industries was taken into consideration in its design. The government’s ‘advice’ in this respect is to diversify, not in terms of items but mainly in terms of quality products, so that the ‘made in Macau’ label continues to be used without being associated to irregular and opaque trade activities. This constitutes an important matter, which has not yet been made entirely clear in regard to the industrial park: the issuing of certificates of origin for the goods produced there. Whatever the origin of the goods, it is an issue that demands legal clarification and increased cooperation between the governments of Macau and Zhuhai, which should prevent the ‘usual irregularities’ in the issuing of certificates of origin.

66 LAGs 2003, p.34.
71 Interview with L.L., Macau, March 2004.
For the local entrepreneurs, the Macau Zhuhai Trans-Border Industrial Park is a vital step towards the restructuring of the local manufacturing sector which, together with the CEPA conditions, brings more promising industrial prospects to Macau. One of the MIA’s directors, Ho Iat Seng, believes that for local textiles and garments businesses ‘to continue to be successful, the best option is to move their factories back into Macau, specifically to the industrial park.’ This is because he believes that for industrial development to be successful in Macau, it will depend on factors such as international brand names, quality certification, and added-value jobs. He also believes that Macau’s manufacturing industries still possess ‘global’ advantages, such as rents, salaries, transport and operational costs – higher than in the Mainland, but still cheaper than in Hong Kong. In his opinion, Macau has ‘a solid industrial foundation (...) with around 1,100 establishments holding manufacturing licenses’ which, if moved to the Park, will be able to cooperate with overseas brand-owners and secure market access in China. The Park constitutes, in the opinion of the MIA representative, ‘a unique opportunity for Macau to upgrade its textiles and garments industries which traditionally have had many contacts with international brand owners and are able to convince them to set up production facilities in the Park.’ For example, with CEPA, domestic production of textiles and garments can be sold in China free of quota. This gives Macau’s producers and distributors the possibility to simultaneously sell ‘junk’ (fake items) and high-quality, fashionable goods – all in the same market – and to circumvent problems of cargo, freight and truck costs. With CEPA, China could easily become the number one export market for Macau’s textiles and garment products, rather than Europe or North America, but in order to make this happen, local entrepreneurs must face a new challenge: since most of Macau’s factories already have premises in China, the logic of buying cheap fabric to sell in international markets does not apply anymore. For local entrepreneurs who wish to sell in China, the challenge is to be more competitive than their mainland counterparts, which can only be achieved by producing fashion labels and higher quality products. This means that they must diversify and upgrade their business operations into more value-added activities, such as the development of brand names and retail chains, otherwise they will loose out also to their Mainland counterparts. In the particular case of the textiles and garments industries, and despite the climate of economic optimism, the CEPA might not bring that many advantages because the local entrepreneurs have little competitiveness both in fashionable, high quality goods (vis-à-vis large, international brand names and retailers) and in lower quality goods (vis-à-vis Mainland brands).

74 Interview with V.K., Macau, March 2004.
6.4.3. ‘Locals first’: post-handover labour policies

Since the handover, rising unemployment has been at the centre of a political debate on the inadequacies of Macau’s labour legislation. The new government has also become more vulnerable to criticism from the assembly’s labour representatives. One of these representatives – Kwan Tsui Hang – publicly declared that Mainland workers had their rights better protected than Macau’s workers.\(^\text{75}\) In 2002, the government agreed to revise the existing labour laws and to develop ‘an adequate labour relations framework to the current circumstances of Macau.’\(^\text{76}\) The draft of the new labour law included clauses concerning health and safety conditions in the workplace, as well as a scheme for unemployment benefits and professional training courses (co-organized with the local associations) for the unemployed.\(^\text{77}\)

Shortly after the transition, the government decided to tackle the issue of non-resident workers. The Chief Executive himself acknowledged the need to intervene more actively in this area: ‘in cases where there is employment without workers and workers without employment, the government shall take the adequate policy measures and will play a stronger role in coordinating workers and employers’ interests’.\(^\text{78}\) In 2001, a decision by the Chief Executive promulgated that in the event of the employer’s necessity to hire foreign workers, he should correspondingly raise the number of resident workers employed in his firm, and for those possessing quotas to hire non-resident workers, to have them reduced within a period of three years.\(^\text{79}\) This policy spelled out more stringent rules and sanctions to be applied to local employers, regarding the hiring of workers with no valid identification, on tourist visas, or in transgression.\(^\text{80}\) With this policy measure, the government has dissuaded the local entrepreneurs to hire non-resident workers and also encouraged them to invest more substantially in improving labour skills and added-value production in their companies. Local businessmen have thus become the subject of legal prosecution if they fail to comply with these rules, but in some industries such as construction projects, the government has left some room for manoeuvre to the entrepreneurs to still hire non-resident labour. Though

\(^{75}\) Hoje Macau, 10 January 2002.

\(^{76}\) LAGs 2002, p.32.

\(^{77}\) LAGs 2003, p.15.

\(^{78}\) LAGs 2001, 16.

\(^{79}\) Decision D-14/CE/01.

\(^{80}\) For example, by extending the definition of illegal non-resident workers to the ones working for an entity different than the one which hired them. (D-14/CE/01).
the MSAR government seems committed to tackle the complex issue of hiring non-resident workers, local entrepreneurs are not obliged to hire local workers, but are only recommended to do so. The government still promises to examine requests for the importation of labour more rigorously, and to provide incentives to entrepreneurs to hire local workers in all investment projects: public and private, foreign and domestic.\(^{81}\)

According to the director of Macau’s Employment and Labour Department (DSTE), the effects of this policy decision brought immediate results. In 2001, the number of imported workers dropped to 26,113 individuals, from which 57 per cent were employed in manufacturing and industrial activities (Shuen 2001: 1187-1204). The AGOM has expressed a different perspective: ‘it becomes difficult to accept the existence of 28,000 non-resident workers in Macau, while 14,000 resident workers remain unemployed.’\(^{82}\) The position of the DSTE is clear: to repatriate non-resident workers will not solve the local unemployment problem because this is concentrated in the manufacturing activities and not in the construction sector, where most of the non-residents are employed (Shuen 2001: 1187-1204).

The manufacturing sector – especially the textiles and garments branch – is not directly affected by policies on non-resident labour, but it still brings great concern to the MSAR authorities. The labour situation in the textiles and garments branch remains problematic because the maintenance of a few factories in Macau is not sufficient to absorb all unemployed and underemployed industrial workers. Since there are more textiles and garments workers than factories in Macau, those who cannot be guaranteed a permanent job are left with only a few possibilities: either they move to the Mainland, earning lower wages, or they remain unemployed in Macau. The draft of the new labour legislation includes the possibility to create unemployment benefits, but in the words of a local government official: ‘I see no need for the MSAR government to provide unemployment benefit schemes like the ones in Europe because they perpetuate laziness’. He believes that the MSAR Government should instead invest in education, ‘to increase subsidies to the existing schools and possibly have free education until University.’\(^{83}\) Only by investing in educational and higher-skilled training, will it be possible to raise labour productivity in Macau.\(^{84}\)

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81 LAGs, 2001, p.18.
82 Interview with Wu, AGOM, Macau, July 2004.
6.4.4. Quality instead of Quota: educational and training programmes for industrial workers

Given the companies’ traditional lack of interest in investing in protection and training of these workers, the MSAR government has emphasized the urgent need to upgrade the skills and productivity of manufacturing workers who remain difficult to absorb by the expanding, entertainment-based, services sector.

Under the motto ‘local population first’, the MSAR government has decided to implement training and educational programmes for the unemployed. In this task, the government counts on the support of the Macau Centre for Productivity and Technology Transfer (CPTTM), a mixed public-private organization created during the transition, which has seen its tasks and responsibilities increase after the handover. The MSAR government has injected more financial means into the CPTTM and has appointed a Director-General, in charge of overseeing the application of government funds and policies at the level of this organization.

The upgrading of labour skills in the textiles and garments industries constitutes one of the main tasks of the CPTTM, which counts on specialized departments to support the enterprises in this sector. Back in 1996, a group of local entrepreneurs established the ‘House of Apparel Technology’ under the auspices of the CPTTM, offering courses and information to the local entrepreneurs, to improve the quality of their confections, their merchandising practices, and their capacity for quick response to demands from international buyers and brands. In 1998, the CPTTM created the Textiles and Garments Support Unit, which was oriented towards improving the skills of the workers in these industries. This unit now offers several professional educational programs for both workers and managers, such as pattern creation, quality control, and use of new technologies like computer-aided design. Low-skilled activities, such as sewing or cutting were not included, ‘because locals don’t want to learn that anymore.’ The CPTTM has diversified into training centres in computer technology, language, and management skills to stimulate industrial workers to upgrade their skills.

These initiatives have been received with some criticism. A local L.A. deputy thinks that making unemployed industrial workers take computer and language courses is a waste of time and money: ‘everybody knows that this is a way of the government saving face – handing out benefits to workers who frequent courses every evening – this is throwing money away, the government is not a charitable

86 For more on this organization, see Chapter 4.
87 Interview with V.K. Macau, March 2004.
institution and I see no need for a fifty year-old woman who has sewn garments her entire life to attend computer courses."  

The CPTTM’s director-general thinks differently: the educational programmes are not only designed for laid off factory workers, they have been designed to capture the interest of the younger generation in Macau’s traditional industries. According to the CPTTM’s director-general, not many local businessmen want to invest in manufacturing anymore, but outsiders do. New investors, mostly from China and Japan, are asking for space to rent and lease, and they are asking for people to employ in manufacturing, but the younger generation is not willing to do such jobs: ‘Blue-collar work has become frowned upon in Macau; nowadays, younger people prefer to engage in services, even if these are low-paid, rather than working in factories.’ The courses have been designed to encourage blue-collar workers back into manufacturing in order to learn about the possibilities and opportunities to become a high-skilled generation of industrialists, ‘a generation of quality, rather than a generation of quota.’

6.5. Conclusion

Macau’s textiles and garments industries have been almost exclusively controlled by local Chinese business elites, who had been the main protagonists of early export oriented industries, such as tea processing, silk, firecrackers and incense. Macau’s incipient industrial base remained unchanged until the early 1960s, when Hong Kong industrialists started to invest in the setting up of textiles and garments factories in the territory. At this point, export-oriented industrialization really took off in Macau, with the mushrooming of factories and local import and export firms, taking advantage of favourable trading conditions and low labour costs in the production and trade of textiles and garments.

In Macau, the export-oriented production of textiles and garments was an effect of international trade expansion: at a first stage, these industries grew from the spill-over effects of Hong Kong’s industrial development; at a later stage, they continued to grow, not so much because of any cost or productive advantage, but rather due to the development of subcontracting networks and links in cheaper Mainland

89 Interview with V.K., Macau, March 2004.
90 Interview with V.K., Macau, March 2004.
locations. This process of industrial re-location to China caused a decline in Macau’s industrial output and a rise in manufacturing unemployment, but created a ‘win-win’ situation for local textiles and garments entrepreneurs. On the one hand, the participation of Macau in international organizations and the maintenance of bilateral trade agreements in textiles and garments enabled local entrepreneurs to continue enjoying preferential access to Western markets, vis-à-vis more competitive producers, and despite a real decline in industrial capacity and productivity. On the other hand, the geographic and cultural proximity to industrial locations in China enabled the Macau entrepreneurs to keep costs down and a high value in exports.

State-business relations in the T&G sector before the transition: growing political influence of local business elites produces a pattern of governmental non-intervention in industrial development

Up until the transition years, the Macau government cultivated a laissez-faire attitude towards industrial development, within which the textiles and garments sector constituted no exception. The socio-political context under Portuguese colonialism was favourable for the local entrepreneurs, and their business associates from Hong Kong, to expand their business operations largely free from government intervention, while making use of the territory’s trading links and free-port status. However, this situation changed in the course of the de-colonization process. In the mid-1970s, the inclusion of Macau in preferential trade agreements and in international organizations such as the GATT/WTO further stimulated the development of local textiles and garments businesses, but it also conferred to the local government the capacity to represent Macau’s economic interests abroad. Throughout the 1980s and 1990s, the textiles and garments entrepreneurs increasingly relied on preferential trade agreements to maintain and expand their business activities. It was thus vital for them to use the political weight of the local associations to influence the Portuguese administration in adopting policies which conformed to their economic interests. Since the early 1980s, this included the search for lower-cost production facilities across the border in order to maintain a high level of textiles and garments’ exports.

Despite the government’s traditional non-interfering attitude towards Chinese businesses and businessmen in Macau, the existence of the export-quota system may have strengthened the local government’s role, especially in representing Macau’s interests in international organizations. Yet, the quota system did perpetuate the government’s economic and political dependency on local business elites to implement industrial and labour policies. The lack of political and economic interest in local labour by the Portuguese administration is reflected in the lack of adequate labour laws and policies, much to the advantage of the local entrepreneurial
elites. During the transition period, the limitations and inadequacies of local labour legislation were the main catalyst behind growing demands for the protection of the local workers’ interests. Although the Portuguese administration did introduce a number of basic legislative changes, these were beneath the expectations of local labour organizations. The aggravation of local unemployment, the growing political influence of the local workers associations, and increasing trade disputes with major importing countries did not bring any significant change to the pre-transition patterns of economic and political dependency on local entrepreneurial elites for the Portuguese to rule and run the territory until the handover. For the Portuguese administration, to deal with a declining industrial sector was not a priority in the transition process, it was something to be dealt with by the new government. Macau’s leading business associations – the MCA, the MIA and the MEIA – had managed to successfully contain attempts of government intervention in industrial relations, yet the consequences of local industrial decline remained one of the biggest challenges to be addressed by the new government in the post-transition period.

**State-business relations in the T&G sector after the transition**

The fact that the new government has assumed a more active role in implementing economic policies that have a clear regional outlook has not brought on major losses for the entrepreneurs and their business associations, quite on the contrary. Government-sponsored industrial plans, like the construction of a trans-border industrial zone and the implementation of CEPA, seem to be exactly what local businessmen need to save, maintain and diversify their economic operations.

Given the enormous political influence of Chinese entrepreneurship in Macau – top government officials are ex-businessmen and registered members of Macau’s leading business associations – local textiles and garments entrepreneurs have not been forgotten. They are presented with a number of fresh opportunities, such as the CEPA or the cross-border Industrial Park, to re-orient their businesses and adjust to the loss of export shares in global markets. The gradual loss of competitiveness of the producers and distributors in international markets is not regarded as a major problem, provided that favourable access to the PRC’s markets is granted to them via the CEPA. With the CEPA, the local entrepreneurs’ vulnerability and dependency towards global trade conditions in principle disappears. From this perspective, the end of the quota system regulating the exports of Macau’s textiles and garments is a positive development because it spares the government from bi-annual ‘headaches’ in distributing quotas and facing international scrutiny. Time and resources have been saved with the end of the quota system, which can now be used in more problematic areas, such as labour. As part of its newfound social responsibility, after the transition, the MSAR government has taken important measures regarding the
protection of local workers – such as new labour laws giving priority to local workers, as well as educational and training policies. However, these measures are still far from solving the unemployment problem in what remains of Macau’s manufacturing sector.

Three major conclusions can be taken from this chapter. The first is that old politico-institutional patterns, such as Portuguese colonialism and the economic and political predominance of Chinese business associations, were determinant in Macau’s industrial development. The second conclusion is that economic regionalization processes – the development of industrial linkages and business networks among Macau, Hong Kong and mainland China – began long before the transition, mostly in response to external factors, such as increasing restrictions in the global trade of the textiles and garments trade. The third and final conclusion is that the regionalization of business linkages in the Macau textiles and garments sector is illustrative of a particular institutional dynamism that existed both before and after the transition. From the case of the textiles and garments industries, it looks like the change in government and the change in industrial policy patterns were vital for these industries to survive under increasingly competitive circumstances. Macau’s specific politico-institutional context since the transition perpetuates a situation in which businessmen are compensated for their loss of global competitiveness, and in which labour interests remain powerless to influence industrial restructuring and regionalization processes.