Regional integration and differentiation in a globalizing China: the blending of government and business in post-colonial Macau
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CHAPTER 7. 
Conclusions

‘It takes a major change so that everything can remain the way it was’

7.1. Introduction

The transition process has placed Macau in a ‘special-region’ category within China. Macau has an inherent lack of natural resources, but it is endowed with a long colonial past and a modern gambling-based services economy. This unusual combination provides Macau with a distinct political and economic identity in the Chinese world. This has not prevented, but has instead stimulated more political and economic integration with Mainland China. More integration with China has particularly benefited well-established local business groups and associations. The transition has indeed brought a major change in Macau, but it has occurred in such a way that the interests and institutions of a long-established local business elite would not be damaged. Instead, they have reinforced and extended their political power in Macau and in the Mainland.

This study has concentrated on the patterns of state-business relations in Macau, which have enabled and facilitated its transition from colony to Chinese Special (administrative) Region. This has produced three main findings:

3) There is a pattern of close-knit relations between government and business institutions;
4) This pattern is stable and ensures institutional continuity, in which a small business elite dominates politics and economic decision-making before and after the transition;
5) Macau’s close pattern of state-business relations has a regional dimension as well because it stimulates correlated processes of regional economic integration and regional political differentiation.
The overall claim of this thesis is that state-business relations – the interactions among political and economic actors – below the nation-state level, are better understood from a long-term and regional perspective. It thus provides a contrast to studies claiming that patterns of capitalist organization are uniform across China, or that they are distinctively Chinese as opposed to the West. Instead, this study is much in line with arguments that allow for institutional variation in capitalist patterns, but not solely among countries. This kind of institutional variation can also occur within countries, especially large ones like China.

7.2. The characteristics of State-Business Relations in Macau

In Macau, the cultivation of ties with the government is a widely used strategy to achieve business success and social prestige. These ties have two central objectives: the first one is to obtain and maintain legal and material guarantees from the government to set up, develop and expand their businesses. The second objective is to acquire an influential social position by exchanging favours with the state. The cultivation of ties with the government in order to achieve goals like these is a fundamental characteristic of local state-business relations because they allow local entrepreneurs to simultaneously protect their economic interests and ascend to the local business elite.

The business elites have dominated local politics in the last four decades. Since 2000 some of the most successful entrepreneurs and association leaders perform now executive tasks in the post-transition government. This is a new development in local state-business relations because the government has become the space for successful businessmen to advance and cement their collective political and social prestige, not only inside but also outside Macau.

7.2.1. Cultivation of ties with government as business strategy

Patterns of business organization are not uniform in Macau, but they are as oriented to developing ties with government officials as to accumulating capital and profit. The two industries analysed in this thesis show that entrepreneurs in both cases have achieved business success and privileged social positions by maintaining a close relationship with the government.

In the case of the gambling industry, this close relationship started when the local government awarded a monopoly license to one company – STDM/SJM. This
company had an exclusive role in exploiting the casino business in exchange for an annual tax, and had the freedom to organize, run and control the sector according to its best interest. In the course of four decades, a close partnership between the colonial government and the gambling monopolist emerged, through which this company became the government’s most important financier. As we have seen in Chapter 5, whenever the Macau government (colonial or post-colonial) needed to increase its budget, it turned to the gambling sector by re-negotiating the licensing contract. This is indicative of a legacy of governmental dependency on gambling revenues for public expenditure. The post-transition government has made a bold move by increasing the number of licenses and thus strongly contributing to the transformation of the Macau gambling monopoly into an oligopoly of three parent-companies – including the previous monopolist and two US companies with vast experience in the sector.

The textiles and garments’ sector has a different kind of business organization, but has equally nurtured a close partnership with the government. In this case, the business associations have been the most common channel for textiles and garments’ entrepreneurs to seek protection of their business interests. In this case, the necessity for a close partnership with the government is explained by the fact that Macau has very limited land and labour resources. Export-oriented industrialization in Macau was instead stimulated by global trade conditions. However, in order to enjoy preferential treatment in the T&G international trade, local entrepreneurs have depended on the government to negotiate quota agreements with importing countries. In this respect, business associations – representing networks of small firms colluding to get access to international markets – have played a crucial role in structuring the industrial sector in general, and the textiles and garments sub-sector. The process of export quota distribution is illustrative of how association leaders have controlled and managed industrial development in Macau, by benefiting firms which were association members, but still allowing for new and smaller firms to participate by buying remaining or additional quota from the larger enterprises.

This case is indicative of how business associations have managed for a long time to keep the export-oriented sector largely free from any kind of governmental control by maintaining close ties with the government itself. Even when the late colonial government acquired a more interventionist role after 1976, almost all regulations that were implemented up until the transition clearly benefited Macau’s entrepreneurs. Examples of these are the maintenance of a low tax environment, subsidies for export diversification, no obligation for firms to keep records, or no labour legislation until the late 1980s. It was in this period that labour issues became more politicized and both government and business associations had to recognize labour interests as separated from the entrepreneurs’ interests. Still the entrepreneurs retained an upper hand, as illustrated by the government’s labour importa-
tion policies allowing local firms to hire cheap, temporary labour from the Chinese Mainland or to resort to subcontracting activities across the border.

The most successful entrepreneurs, both in gambling and in the textiles and garments’ industries, remain close to the post-transition government to continue to shape policy decisions and policy outcomes. This government-business partnership is still crucial to assure favourable policies and regulations for entrepreneurs in both cases. However, there is also a hierarchy in building up close relations with the government. Entrepreneurs have to climb up an institutional ladder in order to ensure that they will be heard and eventually consulted. They climb up the ladder by becoming members of an association, then by preferably becoming leaders of the same association, or by even becoming founding members of a new one. Being part of an association brings them the opportunity to develop the “right” connections with the government, bringing them opportunities ranging from offering bribes at the customs-post to directly influencing and shaping policy decisions in top political institutions. Business success and social prestige thus depend on the cultivation of ties with government officials, but the reverse is also true in Macau, especially when one looks at the gambling industry. In this case, the previous monopoly structure of the industry and the government’s vital financial dependency on this sector means that any successful money-making entrepreneur in the gambling oligopoly can be called upon to advise the government, become a deputy to the local assembly – like David Chow, or even a member of the PRC’s National Assembly – like Stanley Ho. The close relationship between government and business is not only a guarantee of entrepreneurial success, but it is also a strong indication that political stability largely depends on the business community’s support of public institutions in Macau.

7.2.2. Cultivation of ties as political strategy

Since the transition, policy changes such as the new gambling regulations or industrial strategies that anticipate the end of the quota agreements indicate that leading businessmen have not only maintained, but have actually increased the level of influence over government decisions. Besides being association members or leaders, the most successful and influential entrepreneurs in the two cases are now either government officials or political deputies. They now constitute a class of local businesscrats, bred in the associative tradition, and invested with the authority to decide and carry out the policies of the post-transition government.\(^1\)

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1 Back in the 1980s, some predicted that Beijing bureaucrats would take the place of the Portuguese administrators after 1999, unless the Portuguese pushed for more democratization.
In the gambling industry, new regulations clearly express what has been the practice in the sector for five decades, much to the discontent of the new investors. The political influence of local gambling entrepreneurs like Stanley Ho and David Chow is still incredibly strong. David Chow – one of Stanley Ho’s long-standing partners – has been elected deputy by universal suffrage: his current political role as legislator adds to his position as one of Stanley Ho’s main subcontractors. The fact that he was elected by universal suffrage, and not by nomination or indirect suffrage, demonstrates that he is very popular, alongside being rich and having “connections”. He is a paradigmatic case of what political leadership has become in Macau: the capacity to shape political outcomes depends to a large extent on the capacity to make money.

The case of the textiles and garments industries also provides some examples in this regard. Associations like the MCA, the MIA and the MEIA maintain their power to elect political representatives in the local assembly (mostly through indirect suffrage) and to nominate advisors to the government. Moreover, leaders of mixed government-business organizations such as the CPTTM or the IPIM analysed in Chapter 4, are all members of associations such as the MCA or MIA. The association remains the preferred vehicle for textiles and garments’ entrepreneurs to achieve a high degree of political influence. Through these associations, some of them have the possibility to participate actively in designing and implementing industrial and economic policies that suit their business interests.

The Macau entrepreneurs have brought their associative traditions into the running of public institutions: corporate leadership and social capital have become organic elements of the government. They have put the colonial shell into a new use: without changing the semi-authoritarian, partially democratic political structure, local government institutions have become the place to be, in order to advance and cement individual and collective prestige. In this regard, local associations have lost ground as a platform to make connections and gain prestige in Mainland China. Their activities are now circumscribed to Macau, because the local government is now the direct representative of Macau’s economic interests in the Mainland. Nevertheless business associations will remain very important in the years to come. As a local deputy has described: ‘Nobody here really cares about creating political parties (…) we are used to create associations, not to oppose or go against the rule

▶ of Macau’s political institutions (like the Legislative assembly). Instead, the process of localization described in Chapter 4 created this juxtaposed identity: the businessman-bureaucrat. Their goal is to ‘regionalize’ the local economy through strategies of integration and cooperation with Mainland China, and simultaneously protect and promote Macau’s businesses in China. See below in 7.4.
of government; what we do is to represent the interests of the ruled ones in the best possible way and to help the government to do a better job’. This statement is quite telling about the source of political power in Macau; not from grass-roots or popular support, but rather from the support of business elites. Politics remains a domain reserved to successful businessmen, especially to those few that have over time cultivated political connections with the PRC. This restricted group of local businesscrats – businessmen-bureaucrats or entrepreneurs turned politicians – merge government and business into one.

7.2.3. Where does this pattern fit?

The close pattern of state-business relations found in Macau is much in line with claims that close connections between the state and a small group of economic actors is a recurrent feature in the political economies of East and Southeast Asia (cf. Kang 2002, Pemple 1999, Ross-Schneider 1998). For example, Pemple (1999) argues that corruption and cronyism were at the root of the Asian financial crisis of 1997/1998, while Kang (2002: 3) makes the opposite claim, by stating that in some East and Southeast Asian economies, a certain mix of corruption and cronyism can actually stimulate economic growth in some cases.2

The relationship between businessmen and the politically powerful varies from place to place. In South Korea and Taiwan, for example, former government officials have staffed major business associations, which reinforced ‘public-private networks’ and facilitated flows of information and capital, determinant in these countries’ course of development (Ross Schneider 1998: 112). In Macau, the reverse seems to have happened: business associations’ leaders have staffed the local government, especially after the transition. Closer state-business relations in cases like South Korea, the Phillipines, China or even Macau can be easily understood as bordering what in the West is understood as mild corruption. An example of such corruption would include the taking out of government officials for dinner and treating them well so that entrepreneurs can have the desired permit or contract (cf. Zhang 2001, Kang 2002). Even if symptomatic of cronyism and corruption, in Macau close state-business relations provide for a balance of power between a stable set of government institutions and relatively small business elites, which makes long-term agreements and investments more “efficient” and which

2 Both authors use the term “crony capitalism” and “money politics” to generally define close state-business relations, specifically in Southeast Asian countries affected by the Asian Crisis of 1997/98.
enriches those few that collude together in processes of economic development and restructuring.

Studies about China, in which culture is a central explanatory factor of close government-business relations, provide fertile grounds for explaining development in this region as a contrasting case to the Western capitalist economies (c.f. Weidenaum and Hughes 1994, Wank 1996, Goodman 1997, Kwong and Lee 2000). Since culture changes very slowly, the linkages between state and business are usually analysed a-historically and generalized within a broad, national-level, institutional perspective.

Approaches like these are useful but still insufficient to understand current political and economic patterns in Macau. The analysis of two distinct economic sectors shows a pattern of close-knitted relations between government and business. This finding fits with the claim that such relations are a prevalent feature of East and Southeast Asian economies (cf. Yoshiara 1988, Ross-Schneider 1998, Kang 2002). However, in Macau, this feature is particularly strong due to the long-term stability of local institutions. These institutions not only sustain strong linkages between the state and the economy at the local level, but have also been pivotal in developing strong ties between economic and government actors across the border, specifically in Mainland China. In order to fully understand Macau’s present situation, this thesis thus adopted a long-term, regional perspective to explain how Macau’s pattern of close state-business interaction developed overtime, and to identify the main causes and consequences of its existence. Macau’s distinctive institutional patterns have shaped particular organizing practices and strategies. As such, they have a history of their own and do not fit into nation-based narratives and explanations of state-business relations.

7.3. The long-term perspective: institutional continuity in state-business relations

This study shows how a small group of entrepreneurs have nurtured a close relationship with the government, individually or collectively, through consultation roles, deputy roles and licensing contracts. Since the transition, some of these entrepreneurs became part of the government: a small group of businesscrats that juxtapose their business profile onto executive functions in government institutions.

As illustrated by the two cases, state-business relations are similar across Macau’s industries because they flow from unique historical and social circumstances and because they are embedded in the same institutional context. They are also
similar across time periods due to the stability of two key institutions in Macau: the
government and the business associations. The conclusion is that there is continu-
ity in Macau’s state-business relations and similarities across sectors because those
institutions have been stable overtime. The application of a long-term perspective
thus not only reveals that old patterns of political and economic interaction matter
to understand the present situation but also that it is precisely a stable institutional
context that has enabled local business(men) to keep close to the government and
continuously influence and shape political and economic outcomes.

7.3.1. The colonial legacy

Throughout the centuries, the occupation and colonization of Macau by the Portu-
guese rested upon the maintenance of good, non-hostile relations with the Chinese,
inside and outside Macau’s borders. Between the 1560’s and 1840’s the Portuguese
carried out official relations with the Chinese imperial authorities, including the
appointment of a permanent imperial representative in Macau. In the following pe-
riod (1840’s-1976), Portuguese colonialism gradually became dependent on Chi-
nese business elites to maintain vital and non-hostile relations with the Mainland.
Between 1976 and 1999, Portuguese administrators ruled Macau in cooperation
with local business elites. This phase corresponds to the de-colonization period, in
which the Portuguese government lead major political and economic transforma-
tions, but only to the extent that it managed to gather support from the local busi-
ness community. It is also at this stage that the Portuguese transformed the colonial
administrative apparatus into a more modern, albeit transitional, semi-authoritarian
regime, still with the Governor at the top, aided by a council of representatives and
by a legislative assembly.3

The colonial legacy of an authoritarian executive and the partially-democrat-
ic nature of the assembly have proven to be a good match to the interests of the
business elites, and a successful formula to guarantee political and economic sta-
Bility during the transition phase. Since the transition, the maintenance of institu-
tions such as the local legislative assembly and a “nominated” head of government
perpetuate the oligarchic nature of the political system. The assembly still lacks
effective legislative powers in comparison with the Executive cabinet’s policy ini-
tiatives, thus functioning more as an auxiliary body, because the triangular system

3 As seen in Chapter 3, only one third of the seats in the legislative assembly were elected by
universal suffrage. The other two thirds of deputies were elected by indirect suffrage (elected
among the associations) and by direct nomination.
of representation prevents a majority of votes against the proposals of the executive government.

The substitution of Portuguese bureaucrats for local business elites in top-government positions did not come to alter the nature of the political system after the transition; it simply placed business elites in top-government positions. In this way, political power remained concentrated in the hands of a few: in the government, in the associations and in the key economic sectors. These few are now the legitimate representatives of the Chinese state in Macau, wherein political legitimacy and institutional autonomy vis-à-vis the central government is acquired by delegation, just like their Portuguese predecessors in regard to Portugal. The difference is that the new government officials have ‘earned’ a place in the central government in Beijing. This effort, as we shall see in the following section, is not solely a consequence of the reforms of the last decades, but spans further back in history.

7.3.2. Dominance of Chinese institutions

Successful businessmen and their associations dominate politics in Macau. There, business associations are powerful institutions because they have transformed contingent business relations into durable social-political organizations (cf. Bourdieu 1986). They are not politically neutral for two reasons. The first one is that they have consistently been the most common vehicle for social and political mobilization over time. The second reason is that some of these associations have filled the institutional void in the Macau-China relationship under Portuguese colonialism for more than 100 years.

The political dominance of the Macau business associations fits well with the claim that Chinese business networks are deeply rooted in local institutions (Hamilton 1996). Business associations are an important source of social capital for local entrepreneurs because they are aimed at increasing both the material welfare and the social prestige of their members, especially their leaders. The question is whether the Macau business associations belong to an ideal-typical form of business organization that makes Chinese enterprises succeed wherever they operate. They do present cultural traits usually attributed to a Chinese type of social and economic organization. Such traits include the emphasis on the group’s interest (family, association, nation) rather than on the individual interests; a culture of seniority in leadership; a material and moral sense of duty towards past and future generations in the group; and the concept of ‘face’ on the personal relations level. All of these make up the dominant values in local business organization (cf. Wong 1996, Redding 1996).

Likewise, Chinese culture is still reflected in the values espoused by local business elites. This is in itself not surprising because these elites emerged from several
migratory waves from China over the centuries. Today, 98 percent of Macau’s population is Chinese, but ‘ethnicity’ itself is not a pre-condition to seek and acquire political influence. However, the right combination of birthplace, family name, and most importantly membership or leadership in relevant associations does help achieve a relevant position in the government. Association membership implies acceptance and observance of particular ethical codes and traditions. These are simultaneously a symbol and an instrument in the pursuit of business success. Belonging to the most prestigious associations grants businessmen with an important social credential and the possibility to enlarge and cement one’s ‘connections’. This is not a goal in itself, but a strategic ingredient of any business or political career. This is why there is so much variety in the Macau associations: they are not only a means to make business and contacts, but they are also a means to gain political visibility and social respect, to be heard and to be consulted. In short, these associations are a stepping stone to ascend to a business elite group and a key channel to access the state, because whoever controls these associations has guaranteed access to the government.

A case in point is the Macau Commercial Association (MCA). Perhaps more than any other institution in the territory, this association reflects a political and economic conservatism in which the senior leaders are highly respected, they are always heard, and their opinions will always be taken into consideration by the government until they disappear. As stated by several members of this organization, from just a glance at its leadership, one can see that this organization works through very slow and gradual changes, usually marked by some sort of generational replacement. The MCA’s most notorious leaders, Ma Man Kei, Stanley Ho and Peter Pan are all over eighty, and except Hong Kong-born Ho, were all born in Guangdong province. This group of individuals not only has dominated Macau’s political and economic life but has also developed channels of influence within the PRC’s top political circles for more than 50 years, mostly aided by their millionaire careers (and pockets). Their replacements will be another important transition for Macau; the big issue here being that of who will succeed them in the running of the business, in leading associations and on the political stage.

For most of their history, local business associations filled in the institutional void, connecting the society to the colonial government and connecting the colonial government to China. Changing political contexts in China have always produced a considerable impact on the territory’s economy, business community and sometimes even the colonial government. The leaders of the business associations have had an historical role in the economic and social life of the territory, but they were usually individuals who cultivated some sort of relationship with the Mainland (from Sun Yat Sen and Ho Yin, to Fu Tak Yam and Stanley Ho). They were the bridge in a sometimes uneasy relationship between Portuguese colonialism and the PRC, and they have a demonstrated capacity to quickly adapt and profit from adverse circum-
stances; depending on who was in power in China, they easily adjusted to new ideologies in order to protect their interests. By controlling most of the capital and production means in the territory, local business leaders firmly established their power and prestige in the course of the de-colonization process, not only in Macau but in China as well. As Macau has become an integral part of China, they are no longer needed to mediate political and economic relations between Macau and the Mainland. This generation of the association leaders who emerged in the 1940s, 1950s and 1960s will soon disappear and be replaced not only by their ‘heirs’, but also by other economic and political leaders. Thus, the succession of leadership in the MCA or in Stanley Ho’s gambling consortium will likely flow “from fathers to sons”.

This class of businesscrats has benefited enormously from the whole transition process, mostly because of Macau’s particular institutional patterns, including the semi-democratic, semi-authoritarian political set-up. In the current institutional context, businessmen turned into government officials tend now to enjoy more political and economic power, yet the associative tradition is to remain in Macau. New economic challenges and social demands also drive the need to create new associations, placing new leaders into the picture. While, so far, they all cooperate with the establishment, any eventual resistance or opposition to the political status quo will most likely originate within the associative realm.

7.4. The process of regional integration and differentiation of Macau in China

State-business relations are context-bound and in Macau they present distinct characteristics because of the negotiated nature and stability of local institutions. One such characteristic is the need to maintain some ongoing relations with political authorities and economic actors in China. Acting as economic brokers on the margins of both the colonial and the central government, the Macau business elites have been the genuine intermediary between local-level and national-level politics, and between Macau and China. Family ties and connections in the Mainland – especially in the adjacent region of Guangdong – have provided additional social capital to profit from cross-border relations according to their own political and economic

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4 Such as Edmund Ho, MSAR Chief Executive and son of Ho Yin, or Pansy Ho, daughter of Stanley Ho, who will most likely inherit her father’s position in the gambling/entertainment consortium SJM-MGM.
agendas. Lead by those successful entrepreneurs that are now part of the government, the Macau business elites are re-inventing themselves as active players in regional and national-level politics: they are Macau’s political representatives in China and the PRC’s political representatives in Macau.

Changes occurring in China have always found their way into Macau through migratory waves, investment flows, or simply through basic structural dependency on Guangdong for potable water, energy and food. Throughout Macau’s history, cross-border exchanges and informal relations with the Mainland have kept the territory’s economy alive. This has created a situation of economic dependency on the Mainland, which over time has had a considerable impact on the evolution of Macau’s state-business relations.

In order to grasp how past and present changes in China impact Macau, a regional perspective was required for this research. Regardless of the scale of the region in question – city-region, province, ‘growth triangle”, natural and artificial – the “view from the Region” (cf. Goodman 1997) is very important when it comes to economic development across China. Theoretical reliance on nation-wide studies tends to underscore the importance of regional differentiation in shaping development processes at the micro level. Therefore, in order to understand how Macau is presently linked up to the Mainland, a regional perspective was used to explain how local state-business relations have re-fashioned a legacy of economic dependency into closer cooperation and integration agreements with the PRC.

7.4.1. Regional Integration and Regional Differentiation

Since the transition, institutional continuity in state-business relations is not solely a local-level phenomenon; it has an important regional dimension as well. Relations of dependency are being transformed into relations of cooperation and used to obtain more partnerships across the border. More integration with the Mainland has actually strengthened Macau’s position as a political and economic system in its own right. This contradicts previous studies alerting Macau’s eventual dissolution into China, unless it succeeded in becoming a second Hong Kong: a modern

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Goodman for example has claimed that the “view from the provinces” is important to establish what the actual results of reform are, and how these results vary from province to province (1997: 2). Economic reforms in China were bound to affect each province differently due to factors like geographic location, natural and human resources. The combination of region-specific factors with the implementation of reform policies at the local level were determinant to the development of comparative advantages on a provincial, regional and municipal level. (cf. Hendrischke, on Guangxi; Feng and Goodman on Hainan; and Forster on Zhejiang, 1997).
services’ platform into China and the wider East and Southeast Asian regions (cf. Pinho 1991, N. António 1996, Ieong and Siu 1997) Arguments like these have been notoriously a-historical and thus have tended to ignore that regional economic integration processes are not new to Macau. They, in fact, precede the transition by decades, if not by centuries.

The close pattern of state-business relations has thus produced two co-related processes that currently position Macau in the PRC: one of regional economic integration and one of regional political differentiation. As far as the findings in this study show, regional integration and differentiation are not contradictory, but correlated processes. Regarding regional economic integration, post-transition economic standards and policies are fully congruent with mega-projects of economic cooperation and integration among cities, provinces and special regions throughout Mainland China. In this sense, the definition and implementation of economic policies towards increased market integration and cooperation with Mainland China is a direct result of the change in government after the transition. In order to stimulate growth in Macau’s key economic sectors (gambling and the export oriented industries) local policy-makers have actively sought further for possibilities of market expansion in the Mainland – through the implementation of CEPA – and have used the magnet effect of the gambling industry to attract more investment and tourism into Macau.

More market integration between Macau and China does not dissolve the political significance of the ex-colony; it is rather accompanied by regional political differentiation in order to be carried out successfully. The inclusion of Macau’s representatives in central-level decision-making bodies has to fulfill one basic premise; that they accept Macau’s constitutional status as a PRC territory. Nevertheless, this process of constitutional inclusion further strengthens Macau’s position as an autonomous system for two main reasons. One is the financial autonomy of Macau’s government vis-à-vis the central government or other provincial governments, which arguably gives it large room for manoeuvre in deciding and implementing a wide range of policies at the local level. The second reason is the large influence and participation that local business elites have exerted over time in both local and national politics. In the long-run Macau’s political autonomy as a Chinese special region will depend on the capacity of local businesses to succeed in the new situation, in itself contingent upon the type of relations the local government sustains with regional and central governments in China.

7.4.2. Regional economic integration: the two cases revisited

Macau’s core industries are very sensitive to social and economic changes in the Mainland. Over the last three decades, the opening of China to foreign trade and
investment has had a major impact on Macau’s economy. The climate of economic reform in China was propitious to the strengthening of the economic links between Macau and Guangdong, mostly in the form of two-way investment flows (from Macau companies in the Mainland and vice-versa).

The low level of government interference in the organization patterns of the two sectors analysed in this study has enabled the monopoly company and the industrial associations to develop similar, quasi-informal business networks in China. For the textile and garments industries, this was done by using subcontractors across the border. For the gambling industries, this was done by letting “subcontractors” in: junkets, organized crime groups and, since the transition, international companies, some of which came as subcontractors of the former monopolist. Thus, since the transition, there are two opposite developments in these industries. In gambling, investment is coming in which attracts increasing numbers of visitors from China. In the export-oriented sector, investment is going out towards gaining a foothold in the Mainland’s expanding consumer markets.

Export-oriented Textiles and Garments

The trajectory of the export-oriented industries is revealing of how economic integration with China started before the transition, propelled by domestic industrial decline, increasing global competition and lower-cost business opportunities across the border in the Mainland. Since the transition, these industries exhibit an explicit regional and national outlook, which entirely replaces the global strategies of the local export-oriented sector. Textiles and garments entrepreneurs have thus turned to the new government in order to profit from lower production costs across the border, to escape global competition and to expand in the Mainland’s consumer markets.

The process leading to the implementation of CEPA (see below) “saved”, to a large extent, the export-oriented sector from extinction by opening a door for local firms to sell in the Chinese market before other foreign companies could come in. Since the textiles and garments sub-sector has for a long time been integrated in regional networks of production, distribution and trade, even without CEPA it would probably still maintain those links, although with reduced chances to compete both in the Mainland and in global markets without preferential treatment. The specific situation of these industries in Macau leads us to the conclusion that regional economic integration is not only a question of economic rationality and efficiency; otherwise, these industries would have stopped operating a long time ago. The integration of these industries in the Mainland has a strong political logic as well, as demonstrated by the entrepreneurs’ strong influence over the government to assure that they would not run out of business in the face of increased competition. As seen
in Chapter 6, export quota allocation mechanisms and labour importation policies are a clear indication of how the sustainability of this sector was dependent on this type of influence. In addition to that, in order to guarantee business licenses and partnerships across the border, the Macau entrepreneurs also had to rely on local associations to establish the necessary connections with Mainland government officials. The difference now is that in order to continue and expand their businesses in the Mainland, they must rely on regional government policies to ward off the negative impact on production and employment caused by the end of the quota agreements, and to assure a non-discriminatory treatment of their businesses in China.

**Gambling Industry**

This industry is geographically confined to Macau. There is no other place in the PRC (including Hong Kong) where the economic exploitation of gambling activities is endorsed by the government. Gambling is Macau’s greatest comparative advantage in relation to other Chinese regions and provinces, and the local government’s primary source of revenue. The existence of a mature gambling economy in Macau is arguably what makes this territory exceptional in the wider region – it is a Chinese Las Vegas, and its gross casino income has already surpassed larger casinos in the US. Following the transition from monopoly to licensed oligopoly, the numbers of visitors from the Mainland skyrocketed. In this respect, regional cooperation has worked by allowing and facilitating the issuing of individual visas for all the Mainland’s tourists. The regulatory role performed by the local government has actively contributed to the restructuring of the gambling industry. Yet, all these efforts would not be sufficient without a “going regional” policy which, in this case, simply means attracting an increasing number of tourists, in cooperation with government authorities in the Mainland.

**7.4.3. Combining integration with differentiation: the Closer Economic Partnership Agreement (CEPA)**

CEPA is an illustrative case of how current processes of regional integration and differentiation originate from long-term economic dependency patterns. Regarding its actual content, the CEPA liberalizes trade, investment and the provision of services between Macau and China. The agreement brings considerable advantages and opportunities to the Macau entrepreneurs, while the reverse (Mainland entrepreneurs coming into Macau) was already taking place since the 1980’s (and from a longer perspective, for more than one century). With CEPA, Macau’s weak position in the global economy is supposed to be compensated by a strong economic position
in Southern China. Especially in the case of the export-oriented industries, CEPA brings a way out of problems of global competition and a way into the prized Chinese consumer market before other competitors come in.

CEPA thus marks the transition from a situation of economic dependency on the Mainland to a situation of economic reciprocity between politically differentiated regions within the same nation-state. CEPA is a stepping stone in Macau’s process of regional integration because it offers the possibility to expand local businesses in China under favourable conditions, and before others do. As stated by a local government official, this agreement is a ‘gift to Macau from the central government’. In fact, it more aptly represents a gift to the local entrepreneurial elite because other groups like labour (organized or not), or foreign enterprises do not particularly gain with this agreement.

CEPA strengthens a sense of regional identity within Macau’s close-knit state-business relations. In so far as the Chinese central government facilitates a ‘rational’ process of market integration among regions and provinces, local business elites have earned a place in the national picture with a political and economic system of their own. Political leadership is constituted in the business realm, and the result is that local business elites (businesscrats or not) remain the genuine intermediate level mediating the sometimes conflicting demands of national-level and local-level politics.

7.5. Conclusion

By dealing with one single region – Macau – this study has given a long-term account of the regional scope of its capitalist transformation, and its implications for processes of political differentiation and economic integration that currently occur at the sub-national level. Macau’s pattern of close state-business relations should not be viewed as simply indicative of the existence of a Chinese, East Asian or simply crony type of capitalism. Because of the regional scope of these relations, the Macau case is a good, albeit extreme example, of how state-business relations are shaped by specific institutional contexts and their capability to shape economic and political outcomes across the region. In this case, the close pattern of state-business relations not only explains capitalist development at the regional level, but it is also revealing of how over time some regions become congruent and autonomous political-economic units in their own right. This conclusion bears implications for ongoing debates on the causes and effects of capitalist expansion in modern-day China.

In the debate on how institutions shape capitalist development, my conclusion is that in large countries, institutional variation among certain regions and cities
does not jeopardize the existence of a central government; it reinforces it through a combination of rational economic practices with ritual (or predictable) political behaviour overtime. This thesis has shown that institutions do shape political and economic behaviour, but they must be analysed in a long-term, historical perspective. In Macau, the existence of close ties among entrepreneurs, local government officials and party cadres is symptomatic of the central role played by local institutions in gluing political and economic interest over time. A deeper understanding of processes and mechanisms that determine national patterns can only arise from long-term, smaller-scale insights (cf. Goodman 1997). By focusing on Macau, this thesis proposes that the proliferation of institutional ties between entrepreneurs and party or government officials occurs across regions and cities, but such phenomena may vary from region to region and city to city, depending on the specific features of each location.

This thesis also contributes to debates on whether Asian business success is determined by culture, by the state, by management practices or by a combination of the three. The case of Macau shows that the combination of stable institutions with a specific business culture has given a competitive edge to government-business relations, in relation to other similar regions and cities (cf. Biggart 1997: 103, Hamilton 1996). For example, in South Korea state-business relations were dominated by a strong state which determined central (national) policies supporting business concentration through the chaebol model. In the case of Japan, the state acted more like a mediator and coordinator of intermediate powers between state and firms - the zaibatsu. And in Taiwan, where despite the existence of a (semi) authoritarian government, economic development emerged out of virtually free trade conditions (cf. Orrù 1991; Biggart, Orrù and Hamilton 1997).

Organizational structures are determined by context; firms and institutions must be studied in the long term, because there is no inevitable developmental sequence to follow. We can thus add Macau to this list, as a case where state-business relations are dominated by strong business elites, that overtime have become ‘the state’ in a rich and autonomous region of China. This process of politicization of economic groups was enabled by its own brand of strong and stable institutions – the associations – intermediating and articulating political and economic interests in Macau and abroad.