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

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Summary in English

Macau is a small, busy city of 480 thousand people, located in the southern Chinese province of Guangdong, scarcely 65 km from Hong Kong across the Pearl River delta. The transition from colonial to post-colonial territory in 1999 led to its political ‘return’ to China as a Special Administrative Region (SAR) of the People’s Republic of China. With the change in political status, Macau has become part of a cluster of Chinese cities that respond in like ways to global economic challenges because their respective local governments have achieved a wide degree of autonomy from the central government to devise and implement economic policies, attracting foreign investment and stimulating the development of private entrepreneurship. With its reputation of global casino-city, Macau is the only region in China where casino-gambling is sanctioned by the state. In the last decade, the combination of its political status as Chinese (SAR) with an Asian ‘Las Vegas’ economic image has stimulated more political and economic integration with Mainland China, and also sustained Macau’s capacity to operate relatively independently of its nation-state context.

This study concerns the organization and institutions of modern capitalism in post colonial Macau and situates the most recent political and economic trends in a long-term perspective. It uses the case of Macau to understand the development of political and economic relations between China and the ‘world’, as well as the local-level economic and political patterns that shape capitalist development in present-day China. The main thesis is that patterns of capitalist organization are not uniform across China because they are shaped by the economic and institutional characteristics of each region, province or city. Institutional variation in patterns of capitalist organization in large nation states and regional economic blocs does not necessarily jeopardize the existence of a centralized government. The case of Macau shows how centralized political governance is reinforced by the stability and economic success of the institutions that articulate and mediate political and economic interest in Macau and abroad – the local business associations and the post-transition government.

The existence of close-knit relations between government and business indicates the long-term stability of Macau’s 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. Seen from an historical perspective, the reasons to maintain political and economic relations with China are of a pragmatic nature: Macau is too small and barren to be economically self-sufficient and relies on the Mainland for fresh water, food and energy supplies. At the same time, political and social change occurring in China has always found its way into Macau. As such, Macau’s political survival and economic success has virtually depended on the capacity to manage economic dependency on China and sustain its status safe and profitable haven.

After the transition, fundamental changes such as the implementation of the Macau-China Closer Economic Partnership Agreement (CEPA) and the partial liberalization of the gaming industry have infused a new dynamism in the local economy. The result is a shift towards more economic integration with the Chinese Mainland, turning a situation of dependency into reciprocity with the adjacent region. In this process, local entrepreneurs have managed to protect and expand their business interests beyond Macau’s borders with a clear support from the post-transition government.

The cultivation of ties with the government is a widely used strategy to achieve business success and social prestige. These ties have usually two objectives: the first one is to obtain and maintain legal and material guarantees from the government to set up, develop and expand their businesses, i.e., cultivation of ties as business strategy. The second objective is to acquire an influential social position by exchanging favours with the state; cultivation of ties thus serves as political strategy. In short, this cultivation of ties with the government has allowed the Macau entrepreneurs to protect their economic interests and ascend to the local business elite. Since 2000 some of the most successful entrepreneurs and association leaders have come to perform now executive tasks in the post-transition government. This is a new development in local state-business relations: the government has become the space for successful businessmen to advance and cement their collective political and social prestige in Macau and abroad. To support this argument, this study compares two economic sectors that have played a fundamental role in transforming Macau’s economic structure during the transition process: the gaming industry and the textiles and garments’ industries. The comparison of two economic sectors that differ substantially from each other – in terms of core activities, patterns of business organization, links to external economies, spatial dispersion and concentration – shows that in both cases economic actors use similar strategies to influence the government and similar means to acquire power and social prestige. This similarity in state-business relations in both cases indicates that the institutional ties that allow entrepreneurs in the two industries to expand their businesses in China (albeit in very different ways) are an historical legacy, which the transition has only reinforced.
The transition has brought change, but that change has occurred in such a way that the interests and institutions of a long-established business elite have not been damaged. Instead, it has used the transition to reinforce and extend their political power both in Macau and on the Mainland. Well-established business groups and politically influential associations have benefited from more political and economic integration with the Chinese Mainland. In both sectors, entrepreneurs have had to conform to, and work in, a colonial situation in order to develop and expand. And in both cases, a small group of entrepreneurs has nurtured a close relationship with the government, individually or collectively. After the transition, some of these entrepreneurs even became part of the government: a small group of businesscrats that juxtapose their business profile onto executive functions in government institutions.

In short, this study shows that state-business relations are similar across Macau’s industries because they spring from unique historical and social circumstances and because they are embedded in the same institutional context. They have remained despite the large shifts in political and economic terms due to the stability of two key institutions in Macau: the government and the business associations. The application of a long-term, regional, state-business perspective reveals that old patterns of political and economic interaction matter to understand the present situation. It has shown that it is precisely a stable institutional context that has enabled local business(men) to remain close to the government and continuously influence and shape political and economic outcomes. The combination of stable institutions with a specific business and political culture has turned Macau into a case where politics are dominated by powerful business elites, that in the course of time have become ‘the state’ in a rich and autonomous region of China.