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Introduction: An Overview of Macau's Political Economy

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Introduction

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Forthcoming in *Macau 20 Years after the Handover: Changes and Challenges under*

“One Country, Two Systems”

Abstract:

A general overview of Macau’s political economy is first provided in order to give readers the background knowledge of Macau. The introduction then explain why “Las Vegas in Asian” and “Special Administration Region under the ‘One Country, Two Systems’”, the two common descriptions of the city are stereotypes that failed to capture the local socio-economic change happened in the past 20 years. Finally, a brief summarize of the main argument in each chapter is provided.

The First Glance: An Overview of Macau’s Political Economy

Macau is a peninsula in the estuary of the Pearl River in South China. According to the 2016 census, around 650,000 residents (17.5% are foreign employees or students) are living in the 30.5km² land area. Despite such tiny size and population, the International Monetary Fund (IMF) predicted the city the highest per-capita economic

entity in the world in 2020.¹ The above forecast will not possible to come true if Macau is not under the “One Country, Two System” (OCTS) which enables casino legally operating here while such activities are forbidden in the mainland; indeed, even Macau people themselves never imagined the city will have such huge changes within the past 20 years.

[Figure 1 inserts here]

As seen in Figure 1, Macau’s economy was bad in the end of the 1990s. The recession was due to various reasons. The 1997 Asian financial crisis appeared as the first reason since Macau is a micro economic entity which is vulnerable and sensitive to the global economy trend. The industry structure also posted constraints for economy growth. The Sociedade de Turismo e Diversões de Macau (STDM) has received the government-grant monopoly on casino operation since 1962. As STDM is the beneficiary for its dominated status in the local GDP, it did not have the incentive to find a new path neither for the gambling industry nor the dilemma Macau faced. The circumstances are even worse due to the unique local style in operating casino. Unlikely some other casino cities like Las Vegas where profits mainly rely on tourists, casino in Macau is more relied on the business from VIP rooms where gamblers are willing to spend a huge amount of money to play games. Casino owners usually doesn’t directly

¹ Fraser, Niall. 2018 “Macau Poised to Become Richest Place on the Planet by 2020” *South China Morning Post*, August 8. <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/2158708/macau-poised-become-richest-place-planet-2020>

operate VIP rooms but in contract with an agent and the two parties share the profits.

The problem is that these agents may involve triads and crimes; and the conflicts between different triads had generated severe social disorders in Macau before 1999. Unfortunately, the Portuguese government which Macau people perceived as corrupt, incapable and inefficient fail to restore its legitimacy even until its last days.

It is understandable why the Macau society had a quite different social sentiments if in compare with Hong Kong under the British rule. According to a survey conducted by the Public Opinion Programme, the University of Hong Kong in the December of 1999, 56.2% respondents had a positive feeling (e.g., happy, excited, optimistic) regarding to the handover of Macau, only 35.1% respondents in Hong Kong chose the same option. When ask about the opinions of the overall government performance of the colonial governments, around 70% respondents from Hong Kong feel satisfied. In a sharp contrast, merely 22% Macau respondents said so.

The priority for the first Chief Executive Edmund Ho therefore is to re-build the public confident on the newly established Macau Special Administration Region (SAR) government. Ho's strategies are twofold. First, he decided to break STDM's nearly half century monopoly and opened Macau's gambling market. For foreign investors, the huge China market which Macau adjoined is attractive. Following a bidding process, six companies finally won the concession as casino operators in 2002; they are

Sociedade de Jogos de Macau (a subsidiary of STDM), Wynn Resorts (Macau), Galaxy Casino, Venetian Macau, MGM Grand Paradise and Melco Crown (Macau). The foreign direct investment then quickly increased from 1065 million Macau Dollars (MOP) in 2001 to 18,519 million MOP in 2007 (Sheng and Gu 2018). There is still one problem need to be solved: where are the tourists? The problem was no longer existed since the China government launched the Individual Visit Scheme (IVS) in 2003. The IVS allows Chinese tourists from certain designated mainland cities to visit Hong Kong and Macau on an individual basis; a scheme originally decided for restoring Hong Kong's economy recession after the outbreak of severe acute respiratory syndrome (SARS) in early 2003 (Wong, Zheng, and Wan 2016). As Figure 2 shown, Macau's economy quickly recovered and maintained a rapid growth rate in most of the time during 2000 to 2017. Table 1 further shown in 2017 the gambling sector composed around half of the local GDP. Macau now is more relied on the gambling sector even in compare with the 1990s. Table 2, on the other hand, illustrated how the IVS contributed to Macau's economy. In the total inbound tourists between 2003 and 2018, around 70% are from mainland China; within them, around half came to Macau through IVS. Indeed, Macau had been the world's fourth richest territory per person with a gambling industry seven times larger than that of Las Vegas as early as 2013.²

² Referring to the related reports from CNN Money and Financial Times, Riley, Charles. 2014. "Macau's Gambling Industry Dwarfs Vegas" CNN, January 6. <http://money.cnn.com/2014/01/06/news/macau-casino-gambling>; Monaghan, Angela. 2014. "China's Gambling Capital Macau Is World's Fourth-

[Table 1 inserts here]

[Table 2 inserts here]

[Figure 2 inserts here]

Ho's second strategy is public administration reform. To respond to the criticisms of government corruption, incapability and inefficiency, Ho's reform followed the principles of New Public Administration, such as established a new audit department to check government expenditures, standardized the procedures of civil servant recruitment and promotion, and emphasized the importance of government responsiveness. Moreover, as the government revenue becomes abundant followed by economic growth, the Macau SAR government is able to afford more social welfares in education, social insurance and tax deduction. Although the results of public administration reform are less impressive, especially the Ao Man Long corruption scandal happened in 2006 had more or less undermined Ho's effort in shaping a new government image to the Macau society.³ Ho eventually re-built the Macau SAR government's legitimacy by the so-called performance legitimacy which can be defined as a social contract that exchanges political acquiescence by the provision of economic benefits between the government and the residents (Dimitrov 2013). This legitimation

Richest Territory" *The Guardian*, July 2. <https://www.theguardian.com/world/2014/jul/02/macau-china-gambling-capital-fourth-richest-in-world-per-capita>

³ Ao was the Secretary of Transport and Public Works before he was arrested. The estimated illegal income he received was worth MOP 800 million (US\$100 million). For more detail, see Ng Jeffrey. 2012. "Macau Ex-Official Found Guilty of Bribery" *The Wall Street Journal*, June 4. <https://www.wsj.com/articles/SB10001424052702303830204577445361095752908>

strategy later followed by his successor Fernando Chui Sai On until today.

With A Second Glance: The Macau behind Stereotypes

The uniqueness of Macau's political economy would easily lead the city to fall into two very different stereotypes. For many foreign tourists, it is the "Las Vegas in Asian". An article from Forbes described Macau is "the Best Casino Market on Earth" where "James Bond picks the brains of Chinese spies at roulette tables in Macau, not Vegas. The buildings are bigger. The retail space is bigger. There are velvet ropes at the entrance to Prada and Gucci stores stopping shop-a-holic China girls from entering crowded stores. Many go there just to shop".⁴ But for the China government, Macau means something very different. Unlike the case of Hong Kong, democratization is not the main theme in local political development,⁵ and large scale political movement like the "Umbrella Movement" does not ever happen neither. In some early studies of Macau's political culture, Macau people was described as "in general have low esteem for politicians and are inclined to believe that to be involved in political activities could be dangerous. Like their grandparents or great grandparents in traditional Chinese society, they do not think they themselves can influence government policies. Few

⁴ Rapoza, Kenneth .2013. "Macau Is 'Vegas on Steroids'" *Forbes*, August 1. <https://www.forbes.com/sites/kenrapoza/2013/08/01/macau-is-vegas-on-steroids/#7847a9906a4e>

⁵ The Hong Kong Basic Law Article 45 and 68 respectively stipulated that the ultimate aim in the election of Chief Executive and Legislative Council is universal suffrage. This promise of universal suffrage, however, do not stipulate in the Macau Basic Law Article 47 and 68.

would thus take actual political action to oppose government wrongdoing” (Yee 2001, 104). A political conservative society is the ideal platform for an executive-dominated political system designed in the Basic Law. Macau in official propaganda becomes the model of OCTS; it provides a best example that such an institutional design can bring economic prosperity and political stability without democracy.

It is the reason why Pan Lei, a local culture essayist, and also one of the chapter authors described Macau is an invisible city: besides the prevalent stereotypes that caught international media spotlight, little was known about what had happened there. This edited volume is an attempt to go beyond the above stereotypes and try to enable Macau to be “visible” by providing a timely discussions on the socio-economic changes happened in the past twenty years after sovereign transformation from Portugal to China. To fulfill this purpose, this edited volume has two features that distinguished itself from the previous studies in the Macau society. First, the chapters cover a wide range topics range from labor protest, political participation under the age of social media, the development of civil society, Macau’s role in China’s “One Belt, One Road” Scheme to the management of gambling industry, which are either only partially or fully absent in the existing literatures. Second, authors in most of the chapters study Macau either in comparative method or apply discipline theories in their realms. Such practices give this edited volume the potential to make contributions not only on local

knowledge, but also the general theories concerned by scholars in various disciplines.

We believe the above topics are not merely local issues and should be interested by audiences outside.

Structure of the Book

This edited volume has three parts. Part 1 provides an overview of Macau's socio-economic changes since 1999. The first chapter wrote by Edmund Loi first give a comparison between Macau and Singapore in the management of casino. While it is true that Macau now is the "big boss" in its gambling industry output value, the gambling industry is a double-edge sword as it not only boosts economic growth but also generates negative side effects like gambling addiction and squeezing urban living space. Loi argued that Singapore as the latecomer learns the mistakes from Macau and is more consciously in balancing the economic benefits and potential negative side effects that the casinos may bring through various intentionally designed government regulations. Lei in the following chapter demonstrated how the rapid growing casinos reshaped Macau's urban space and triggered resistances from the Macau society; and how the interaction between casino hegemony and resistance of casinopolitan unintentionally awakening the local awareness of Macau people. Matias dos Santos's chapter discussed another interest dimension in Macau's unique history and culture —

how the historical connection with the Portuguese-Speaking countries give Macau a role in China's foreign policy. After given a detail sketching on Macau's role in Belt and Road Initiative and Greater Bay Area, Matias dos Santos reaches a conservative conclusions that although Macau is reserved a position in the above grand projects, the tiny city's capability to perform substantial influence in the Sino-Lusophone relationship is questionable for various reasons such as lack of human resource in specific or ambition and incentive in a more general sense.

Part 2 of the edited volume turn its sight to the Macau society with the lens of a seldom studied topic in the previous studies — contentious politics in Macau that can be interpreted as a kind of reflection or resistance to the aforementioned socio-economic changes. Because lack of a strong local identity, Macau is unable to mobilize large scale protest with an sharing value system as base like the case of Hong Kong, rather local protest is usually “interest-oriented” that focus on very specific government policy (Jeong 2017). From this point of view, Lin's chapter put forward the understanding on Macau's contentious politics by demonstrating how social media can serve as a powerful tool to mobilize what he called “playful protest” and “resentful protest” in practice but has a deep-rooted in the alternative culture shared by the netizens in Macau. The chapter conducted by Lio and Jeong further challenges the stereotype that Macau is an apolitical society. Used a unique dataset constructed by 554

labor protest events happened between 2000 and 2017, they illustrate the number of protest are indeed steadily increasing and reach the conclusion that the Macau SAR government can no longer rely on the corporatism in maintaining regime stability. Finally, Ho's chapter focuses on the opposite of protester— police. Through an overview of Macau's policy system, he pointed out the inherited challenges for the Macau SAR government in reforming the Judiciary Police and Public Security Police in 1999, and provide a primary assessment on the reforms made in the past 20 years.

Part 3 of the edited volume consisted of two chapters which intends to discuss Macau's political culture and the development of civil society in comparative perspective. Jeong and Wang used an original dataset to examine how media exposure makes influence on the attitude toward the Umbrella Movement in local and mainland China colleague students in Macau. Their findings suggested that relationship between media exposure and political attitudes is moderated by students' political predispositions. Media that takes a clear stance (pro-democracy) exerts a greater impact in shaping political attitude among students who don't hold strong pre-existing political beliefs, while media that does not take a stance (neutral media), plays an important role in shaping political attitudes among students who hold strong political predispositions. An empirical contribution from the above findings is that incidental exposure to political information, a form of passive learning, is not necessarily more effective than

active learning in shaping public opinion as predicted by the theory of passive learning.

The last chapter wrote by Chan and Cheng applied the method of historical institutionalism to analyze the divergent development in the civil society in Macau and Hong Kong. Their chapter as far as I know is the first attempt in providing a systematic comparison on the influence from the “12-3 Incident” and “1967 Riot” on the political development in the above two cities.

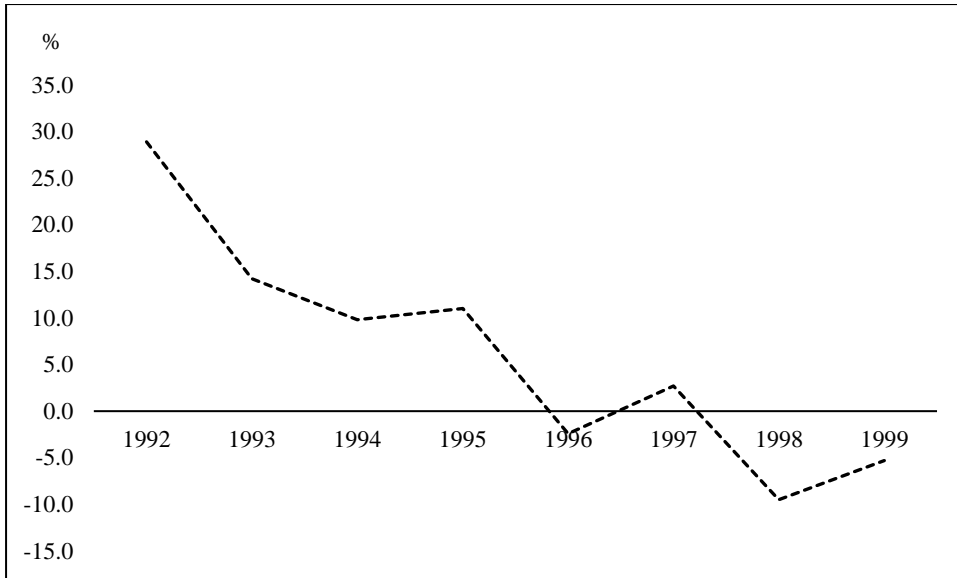


Figure 1. Macau's GDP (1992-1999)

Source: Census and Statistics Department, the Macau SAR

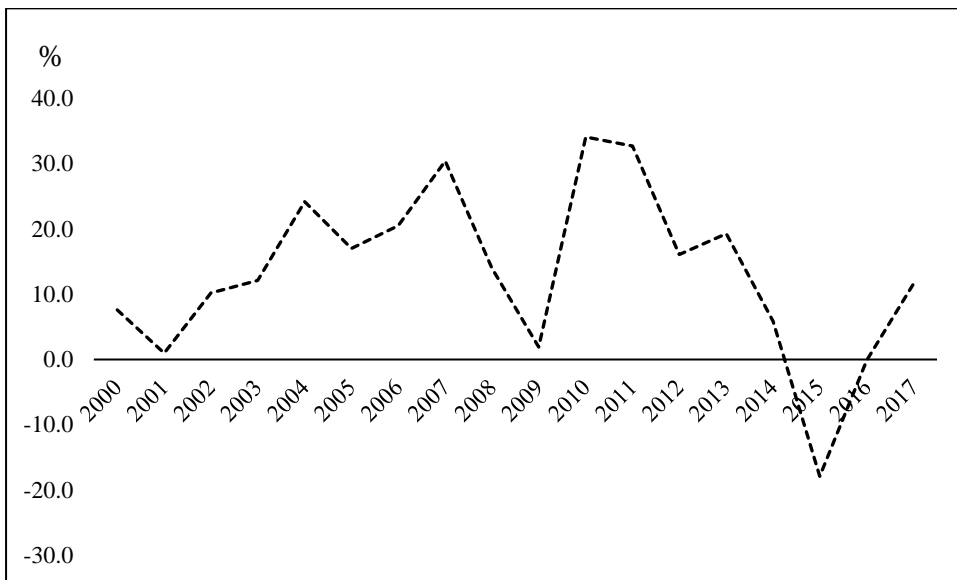


Figure 2. Macau's GDP (2000-1999)

Source: Census and Statistics Department, the Macau SAR

Table 1: The Ratio of Gambling Sector in Local GDP

	Local GDP (million MOP)	Gambling Sector (million MOP)
1991	30,302	9,047
1992	39,072	12,140
1993	44,604	14,163
1994	48,991	15,781
1995	54,356	18,441
1996	53,043	17,684
1997	54,467	18,285
1998	49,318	15,429
1999	46,723	14,060
2000	50,287	16,695
2001	50,799	17,812
2002	56,002	21,188
2003	62,803	26,458
2004	77,980	35,931
2005	91,267	39,355
2006	110,006	44,899
2007	143,438	63,695
2008	163,498	77,127
2009	166,672	83,226
2010	223,514	132,090
2011	296,647	186,661
2012	344,262	216,329
2013	410,874	258,966
2014	434,973	254,051
2015	356,904	171,107
2016	356,576	166,158
2017	398,027	195,274

Source: Census and Statistics Department, the Macau SAR

Table 2: Tourists from China (2003-2018)

	Total Inbound Tourists	From Mainland China	From IVS
2003	11,887,876	~	~
2004	16,672,556	~	~
2005	18,711,187	~	~
2006	21,998,122	~	~
2007	27,003,370	~	~
2008	22,933,185	11,613,171	6,586,403
2009	21,752,751	10,989,533	4,809,878
2010	24,965,411	13,229,058	5,486,173
2011	28,002,279	16,162,747	6,588,722
2012	28,082,292	16,902,499	7,131,904
2013	29,324,822	18,632,207	8,059,627
2014	31,525,632	21,252,410	9,566,435
2015	30,714,628	20,410,615	9,519,317
2016	30,950,336	20,454,104	9,579,412
2017	32,610,506	22,196,203	10,615,471
2018	35,803,663	25,260,556	12,267,344

Source: Census and Statistics Department, the Macau SAR

Note: “~” refers to do not have related statistic

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