

New China and Old Macao

George V. H. Moseley, 3rd

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THE LONG-ESTABLISHED PATTERN of Sino-Portuguese coexistence in Macao has withstood the first shock of aggressive Chinese Communism and promises to survive as a unique phenomenon in international relations. Unlike other European enclaves in China, the Portuguese settlement at Macao was founded on the basis of cooperation rather than violence, and it is because of their continued willingness to cooperate today that the Portuguese are permitted to remain. The men who now control the colony's political life are pursuing a tradition as old as the colony itself in compromising with China's demands for a voice in Macao's affairs and a large measure of authority over the Chinese who comprise ninety-eight percent of the population.

Because of China's virtual domination of the colony's economy, most of Macao's rich men have found it necessary to affiliate themselves with the Communists in order to save their commercial interests, and thousands of workers have had to join Communist unions in order to keep their jobs. Taking advantage of the local wealth at their disposal, the Communists are even challenging the Catholics for first place in the field of social welfare. The political influence exercised by the Communists is commensurate with their economic power, for they hold the strings of Macao's fattest purses. While the Portuguese administration continues to govern the colony much as it has always done, important and delicate questions are settled only after consultation with the Communist representatives. Galling as this situation is to many of Lisbon's civil servants, they are acutely aware of what, in view of the Communists' power, is or is not possible. Cooperation between the new China and ancient Macao is a policy laid down by the Chinese and accepted by the Portuguese.

But this situation is much older than Chinese Communism. A mere speck on the southeast coast of China, this indefensible colony was for centuries prey to the whims of petty mandarins with insatiable appetites for "squeeze," and the colony's policy towards China has long centered on the problem of appeasing these gentlemen at the least possible cost. The Macao Portuguese who have managed this policy, themselves not free from graft, learned at a very early date the importance of "face" and of patience in dealing with the Chinese, and far more than any other Europeans they succeeded in living in peace and harmony with the Middle Kingdom. No diplomacy could be so adroit, however, as to compensate for the extraordinary weakness of the

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colony's position, which is dramatized by its dependence on China for most of the necessities of life, including food (and at the present time water also).¹ In a dispute between the Macao Portuguese and the mandarins, the latter had only to close the border and cut off the supply of food in order to decide the argument. Consequently, the Chinese have been able to regulate the daily life of the colony according to their fancy, even to the extent of dictating the type of houses and fortifications which could be built on the peninsula and of maintaining privileges of extraterritoriality over the Chinese population of Macao.

Just as Chinese policy towards Macao was managed by local officials—normally by the Commissioner of Chung San District and occasionally (for particularly weighty matters) by the Viceroy of Canton—so Portuguese policy towards China rested in the hands of the local Macao gentry. Gradually, in the interest of convenience and “face” for both sides, the burden of direct negotiations between the Chinese and Portuguese passed into the hands of a middleman, often a *mestico* in early times, and later a Macao Chinese who had grown rich on the colony's transit trade. This pattern of Sino-Portuguese relations was well established by the time of the Opium War, and in more recent years this go-between was dignified by the title of “Representative of the Chinese Community.” Taking into account the actual *modus vivendi* which has regulated Macao's relations with China, the very idea of “Sino-Portuguese relations,” which have always been preeminently concerned with the status of the colony, is misleading, for such relations as existed between the two countries were, for all practical purposes, confined to the give and take between the Chung San mandarins and the Macao bureaucrats.

The founding of Macao in the middle of the sixteenth century proceeded from an understanding between the Kwangtung provincial authorities and the Captain-Major of the Japan voyage, who owed his appointment to the Portuguese crown.² Subsequently the colony became increasingly isolated from Lisbon and the rest of the empire as Portugal's power waned and, from the beginning of the seventeenth century, the eastern seas became infested with the Dutch and English. Macao was left to shift for itself, just as it does today. Probably the Jesuit missionaries resident in Peking did more to ameliorate Macao's position³ than did any of the several Portuguese embassies sent out from Goa, which have been described by one authority as “exhibiting, in a greater or less degree, the spectacle of humiliating sub-

¹ After Macao's early experiment at farming in neighboring Chung San District was abandoned in 1570, the colony was left “completely at the mercy of the mandarins.” C. A. Montalto de Jesus, *Historic Macao*, 2nd. ed., Macao, 1926, p. 40. This work, rich in historical details, has been a principal source for the historical material in the present article.

² This is described in C. R. Boxer, *Fidalgos in the Far East, 1550-1770*, The Hague, 1948, p. 8.

³ The intervention of the Jesuits was particularly valuable in the early Manchu period. Boxer, *op. cit.*, p. 155.

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mission of independent nations through their envoys. . . ."⁴ Portugal did not maintain a regular diplomatic representative at the Chinese court until long after China had been humiliated by the "unequal treaties," and the only treaty ever concluded between the two countries was instigated by the Chinese for the control of opium smuggling through Macao and arranged in Lisbon by an Englishman who reflected Britain's anxiety lest Macao be traded with the French for some territory in Central Africa.⁵

The Treaty of 1887, which still governs the status of Macao, is actually ambiguous with regard to the jurisdiction of the colony. In 1849 the little peninsula was "annexed" by Macao's two intrepid heroes, Governor Amaral and Colonel Mesquita, thus ending the payment of ground rent which was as old as the colony itself, but China never accepted the permanent alienation of the territory occupied by the Portuguese, as was shown by her refusal to ratify the Treaty of 1862 which would have confirmed Portugal's jurisdiction over Macao. While the Treaty of 1887 stipulates that Portugal "shall occupy and govern Macao in perpetuity," it also bars Portugal from quitting the colony without the prior consent of the Chinese government, a condition which certainly qualifies Portuguese sovereignty in the colony.⁶ While the conditions of the Treaty of 1887 must remain vague in terms of international law and allow of varying interpretations, the attitude of the Chinese government was made clear in 1945 when Chungking Radio called for the return of the colony to China and denounced the Treaty of 1887 as "unequal."⁷

Though Peking Radio has asserted the illegality of Portuguese jurisdiction over Macao,⁸ Communist agitation for the return of the colony to China has been notably restrained. With the exception of an isolated border dispute in November 1949, Macao's relations with China seem to have remained relatively unaffected by the Communist victory until more serious incidents flared up on the border in the summer of 1952. During this initial period, it appears that the Chinese Communists chose to ignore this strange, old colonial relic on their coast and left the management of Macao's affairs in the traditional, well-greased hands. It is not unlikely that the Communists deliberately provoked the armed clashes of May and July 1952 in order to bring the colony more directly under their control: in any event, a new understanding was reached in August following discussions between leaders of Macao's business community and local Communists at the Chung San

⁴ S. Wells Williams, *The Middle Kingdom*, rev. ed., New York, 1914, Vol. II, p. 428.

⁵ This exchange of territory was actually debated in the Portuguese parliament. See de Jesus, *op. cit.*, p. 434.

⁶ For a discussion of this question, see George W. Keeton, "The International Status of Macao before 1887," in *Chinese Social and Political Review*, Vol. XI, 1927.

⁷ *The New York Times*, August 27, 1945.

⁸ *Ibid.*, October 26, 1955.

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District party headquarters. (It is noteworthy that this meeting was held in Chinese territory adjacent to Macao, rather than at Peking or Lisbon, and that Macao was represented by men outside the government for whom commercial and political interests were practically inseparable.) Without soiling its hands in these negotiations—beyond attempting, from behind the scenes and working through its go-betweens, to moderate the demands of the Communists—the Portuguese administration had no choice but to abide by the decisions reached. Thus was the ancient tradition of Sino-Portuguese relations in Macao reaffirmed.

While the details of these negotiations were never made public, it is clear that the Communists were satisfied with Macao's docile attitude and assured that henceforth they would be able to exert considerable influence in the affairs of the colony. As one of the key men in Macao's commercial oligarchy recently told the writer, "Our ideal is not to die by the flag, but to *live* by the flag." Macao could afford to make concessions toward this new understanding, for her "face" had already been saved by the gesticulating and the shouting, the military preparations and actual shooting for several months prior to the meeting in Chung San. These were tactics which the new China, quite as much as the China of the Mings and Manchus, understood. Moreover, there was little reason for Macao's officials to expect, imbued as they were with a sense of the continuity of Chinese history, that Communist influence in the colony would be very different, in a practical sense, from that which the Chinese had always exerted.

The immediate effect of the new understanding with the Communists was the re-opening of the border and a renewed flow of foodstuffs to the threatened colony which had been sealed off for a month.⁹ Gradually, the hundreds of Macao residents who had fled to Hong Kong during the flare-up began to trickle back into the colony, which, it appeared, had successfully lived through another of China's dynastic upheavals. Macao's commercial activity was resumed and continued at a high pitch until 1953, when the unusual prosperity which the colony had enjoyed since 1937 was ended as a result of changes brought about by the achievements of China's First Five-Year Plan.

The evident decay in the commercial position of Macao today is often contrasted, by local as well as foreign observers, with the palmy former days when the city was considered wealthy and gay. But in fact Macao has been a very poor and drab place for a long time, and one has to turn back to her early history to rediscover her glory; by the middle of the eighteenth century, according to a contemporary observer, the population had become

⁹ For a description of these events, see despatches in *The New York Times* between May 23 and August 29, 1952.

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“little less than a seething mass of pauperized women.”¹⁰ The Japan trade, which was originally Macao’s commercial *raison d’être*,¹¹ had a history of only about ninety years, but following the expulsion of the Portuguese from Kyushu in 1639, the resourceful colony was able to maintain a marked degree of prosperity for another half century by diverting the Chinese silks which had formerly gone to Japan to other Asian markets, probably the most lucrative of which was Manila, whence the Chinese textiles were traded for Mexican and Peruvian silver. The wonder is that Macao survived at all, for at this time the Dutch were steadily eating away at Portugal’s empire in Asia, and Macao narrowly eluded disaster in the great Dutch attack of 1622.

In face of increasing competition from the more efficient and enterprising Dutch and English, as well as Americans and other Europeans, Macao’s commercial doom gradually accumulated until, “towards the end of the eighteenth century . . . trade at Macao was dying out.”¹² A thriving opium trade as well as the periodic residence of foreign traders during the slack season at Canton helped save the colony from extinction. Ironically, it was to her European rivals, and particularly to the establishment of the British at Hong Kong, that Macao owed an upswing in business during the early nineteenth century, for they produced an increase in commercial activity generally in which the colony could participate and profit. Foreign ships frequently took advantage of the facilities and relative safety of Macao in their direct trade with China, and the colony subsequently developed a modest but important transit trade in the distribution of foreign goods to adjacent areas in Kwangtung Province. A definite improvement in the condition of the economy was noticeable by about 1830, and commercial activity was further stimulated by the Opium and Arrow Wars. With the licensing of Chinese gambling houses and the trafficking in coolies for America, both of which activities began in the middle of the century, Macao began to take on the character of a “den of iniquity” for which it is still famous.

The coolie traffic—virtually a slave trade—grew so rapidly in commercial importance that when it was suppressed by Lisbon in 1873 the effect upon Macao’s economy was catastrophic.¹³ But the opium trade and gambling continued to flourish, and the loss of the coolie trade was partly compensated by the development of the gold traffic long after the colony’s ability to obtain the metal by legitimate trade had vanished. At the same time, Macao’s position as an important market town for the West River region, which em-

¹⁰ Such is the way Boxer paraphrases the account of Friar Maria, who resided in the colony from 1742 to 1745; *op. cit.*, p. 255.

¹¹ According to de Jesus, the annual export of Japanese gold to Macao during the heyday of this trade exceeded £3 million; *op. cit.*, p. 63.

¹² de Jesus, *op. cit.*, p. 137.

¹³ *Ibid.*, p. 410.

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braces large parts of China's four southernmost provinces, encouraged the growth of her transit trade with Hong Kong and the outside world¹⁴ and stimulated the establishment of local industries. Fishing, which flourished in Macao as a result of the Chinese government's salt monopoly, rapidly eclipsed all other occupations as the mainstay of the economy.

During the decade and a half between 1937 and 1951, Macao's transit trade reached large proportions. The aggregate value of its trade doubled between 1936 and 1938, while in 1941 it was six times the 1938 level. Marred only by a sharp commercial depression in 1942 when it was feared that the Japanese might occupy Macao, the value of trade rose from a little over M\$200 million in 1941 to over M\$500 million in 1946 and by 1951 had reached nearly M\$750 million.¹⁵ The value of trade was therefore about twenty-five times as great in 1951 as it had been in 1936, when it was worth less than M\$25 million. Even allowing for currency depreciation and population increase, it is clear that World War II brought boom conditions to Macao; its prosperity was evidently even greater in the postwar and Korean War periods when the volume of trade continued to increase despite a relatively stable currency and declining population.¹⁶ Macao's commercial boom, however, did not greatly affect other sectors of the economy, such as wages or the level of production, which remained relatively stable; nor did the population as a whole benefit, except incidentally, since its profits were reaped chiefly by a few tycoons and smugglers.

Such, in outline, was the pattern of Macao's economy when the Communists set about reorganizing the Chinese economy. In 1956 the annual value of Macao's trade plummeted to less than one-third of the 1951 level. The narcotics trade, which was still worth US\$200,000 a year in 1939,¹⁷ virtually disappeared save for the requirements of local consumers, while the gold traffic, which in some years had accounted for as much as a third of the aggregate value of Macao's trade, declined gradually. The production of Macao's light, labor-intensive industries, which had advanced somewhat in the post-

¹⁴ Macao's trade with Portugal has long been negligible: de Jesus calculates that by 1924 Portugal's share of China's trade had shrunk to 1/230,000th of the total. *Ibid.*, p. 471.

¹⁵ The value of Macao's *pataca* (here written as M\$) is roughly at par with the Hong Kong dollar; thus at present, U. S. \$1 equals about M\$5.70.

¹⁶ The following sources have been consulted for most of the figures cited in this article: (a) Reparticao Central dos Servicos Economicos, *Anuario de Macau, 1939*; (b) Reparticao Central dos Servicos de Administracao Civil, *Anuario Estatistico de Macau, Ano de 1951*; and (c) Reparticao Provincial dos Servicos de Economia e Estatistica Geral, *Anuario de Macau, Ano de 1954, Ano de 1956, and Ano de 1957*. All of these bulletins were published in Macao, usually a year or two following the twelve-month period covered. Although inadequate in many ways, these annuals probably provide the best statistics available on the economy of Macao in recent years.

¹⁷ See United Nations Commission on Narcotic Drugs, *Abolition of Opium Smoking in the Far East* (Reports on the Meetings of November 27 and December 2, 1946).

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war period, fell off sharply from 1950, while the junks of Macao's fishing fleet, which marketed over 5,500 tons of fish in 1955, were forced to join Communist cooperatives in the summer of 1958, thus transferring the entire industry to China's account. As business deteriorated, the cost-of-living index also declined steadily, in 1957 reaching the lowest point since prewar days.

By the end of 1956, however, Macao seemed to have weathered the storm of its trade depression, and both imports and exports took a turn upwards in 1957. Industrial production also rose, the output of textiles increasing by about 90 percent from 1956 to 1957. Production in 1957 was valued at about M\$7.5 million, firecrackers remaining Macao's leading manufacture and biggest export, while Chinese wine, incense sticks, matches, and cigarettes made modest gains. The output of the fishing industry showed an increase of about 20 percent in 1957 as compared with the previous year; there was a slight improvement in the tourist trade as well as the gold traffic during the year; and government social welfare disbursements, which are largely dependent on luxury taxes, also registered a small increase.

Macao's economic crisis from 1950 to 1956 was aggravated by the influx of refugees from the interior of China. According to statistics compiled by the Free China Relief Association,¹⁸ the total number of refugees who have thus far fled to Macao from China as a result of the Communist seizure of power is approximately 60,000. Only about one-fourth of this number, however, have remained, the majority having smuggled themselves to Hong Kong by junk. As one government official told the writer, "Macao has no refugee problem; only Hong Kong has a refugee problem." But the absorption of even 15,000 refugees¹⁹ into Macao's shrinking economy has naturally tended to aggravate the decline in wages and the increase in unemployment and underemployment, while the reluctance of virtually all refugees from the interior (most of whom left China for economic reasons in the hope of bettering their lot in Hong Kong) to remain in Macao is a sobering comment on the economic situation of the colony, where the population today is only about two-thirds of the 1939 figure.

Macao has not succeeded, as Hong Kong has, in reorienting its economy to meet the drastically altered economic environment in which it lives. While it seems almost certain that Macao will never regain its former importance as a distribution center and marketing town for the hinterland of southern China, it seems unlikely that it will ever develop the industries which could

¹⁸ This Association, which in Macao has its headquarters in the office of the Commissioner of the Republic of [Nationalist] China, is the only agency which even attempts to keep track of the number of refugees entering the colony; the Macao government registers only non-Cantonese entrants, and therefore only a small fraction of the total, the vast majority of refugees being from Kwangtung Province.

¹⁹ An insignificant number compared with the World War II flood, which for a time brought ten to twenty thousand refugees to the colony per day. Jack Braga, "Macao during the War," in *Mission Bulletin* (Hong Kong), Vol. VI, No. 10 (December 1954), p. 953.

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compensate for its loss of trade and stimulate a real expansion of its blighted economy. The most striking of the factors discouraging economic growth is the complete lack of modern means of transport, which in recent times has led to Macao's virtual isolation from the rest of the world. Not only does Macao lack air and rail communications, but the harbor has silted up to such an extent that even the shallow-draft Hong Kong steamers scrape the mud at the approaches to the city. Prospective investors who are not discouraged by this harbor silting are often turned away by other factors, such as the absence of efficient credit and banking facilities and the inertia of a government bureaucracy largely indifferent to economic realities.²⁰ With no protective tariffs, Macao is open to a flood of cheap products from China and Hong Kong, while the taxes imposed on exports add an additional burden to the high cost of shipping goods out; not only are new business undertakings given no encouragement by government, but a cumbersome procedure of handling applications for licenses and relatively onerous industrial taxes help to bar the way to any economic improvement. On the other hand, the alacrity with which local textile production has responded in the past few years to a new ruling from Lisbon allowing duty-free entry into Portuguese Africa of clothing manufactured in Macao attests to the industrial potential of the colony where the extraordinarily low cost of labor compensates for many of Macao's business handicaps. Unfortunately, this is an almost isolated instance amidst widespread economic stagnation.

The increasing degree of control exercised by the Communists over the affairs of the colony has also had a generally depressing effect on business initiative. With a firm grasp on the most important sectors of Macao's labor force, Communist unions dominate the electric and water companies as well as most of Macao's producing industries such as matches, incense sticks, and firecrackers. They are also making considerable inroads among the farmers and pedicab drivers despite the fact that many of these are refugees from the mainland. The dominant position of the Communist labor unions throughout most of Macao's important industries has tended to destroy entrepreneurial independence, and their direct control of the Chinese Chamber of Commerce as well as of the management of a variety of businesses—including the only firm that handles trade between Macao and China—has brought many anti-Communist businessmen to ruin. Not stopping with these measures, the Communists have taken pains to support all the discontented elements of the colony, and their axiom that the have-nots represent the just

²⁰ Between 1951 and 1954 the government spent over M\$26 million on a "development plan" without producing any effect whatsoever on the economy as a whole beyond giving temporary employment to a few thousand laborers. Most of the money has gone into public works schemes which the city cannot afford to maintain; the plan, financed from Lisbon, is still in operation. For a resumé of the objectives envisioned by the planners, see *Circulo Cultural de Macau, O Plano de Fomento em Macau, 1951-1954*, Macao (dated about 1955).

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cause, irrespective of the merits of the individual case, has tended to make a farce of the process of law.

It is evident that the Communists are flirting with the people of Macao, hoping to win their admiration of Communism despite the fact that most of them would be terrified at the idea of living in China; it would also seem that the Communists want Macao to appear as a dismal living contrast with the dynamic growth of Communist China. China's progress is, in fact, the dominant theme of Communist propaganda in Macao, from which there is a notable absence of anti-Portuguese themes.²¹ While an unexpected emergency in the Far East might once more raise Macao's importance as a smuggling center, it is doubtful if this consideration would weigh significantly in Communist policy-making. More important perhaps is Macao's position as a "hole in the bamboo curtain" through which China can peek at the non-Communist world and send her agents to Southeast Asia. There is no evidence to suggest the Communists have any desire to alter the present political situation in Macao. The life of the colony is controlled from China—specifically from Shekki, the principal town of Chung San District.

Portugal's interest in the colony apparently coincides largely with China's, for the preservation of Macao as "a landmark of past glories"²² seems to be her main concern. The management of Macao's relations with China has been entrusted to Dr. P. J. Lobo, who has devoted most of his life in Macao to amassing a fortune by devious means. During the many years before he retired as Chief of the Economic Services Division of the government, he coached a long succession of governors in the art of dealing with the Chinese authorities, and it is commonly conceded that Macao's survival through the crises of recent years has been largely the result of his diplomacy. Lobo was one of the two men who negotiated the new understanding with the Communists in 1952; the other was Ho Yin, who vies with Lobo for the title of Macao's wealthiest citizen. Sino-Portuguese relations in Macao at the present time are actually conducted between these two men, who work so closely together that they find it convenient to share the same secretary. While Lobo collaborates very closely with the Portuguese administration, Ho Yin is the spokesman of the Communists. Neither has any post in the Macao government. While Lobo is directly commissioned from Lisbon to deal with political affairs, Ho Yin is the ready tool of the Communists. It is principally through the efforts of these two men that the quasi-Portuguese, quasi-Communist regime—perhaps the only system which could allow for the preservation of the colony—has developed in Macao.

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²¹ The Goa dispute of 1956 produced the only significant anti-Portuguese agitation on the part of the Communists since 1952. See *The New York Times*, October 3, 1956.

²² de Jesus, *op. cit.*, p. 381.