Introduction

In October 2003, China set up a new mechanism in its foreign relations: the Forum for Economic and Commercial Cooperation between China and the Portuguese Speaking Countries (PSC) – hereinafter the “Macau Forum”. Under the umbrella of the Ministry of Commerce, the headquarters of this new instrument were established in the Macau Special Administrative Region (SAR). Through this instrument, China added a new dimension to its pre-existing bilateral relations with seven of the eight Lusophone nations: Portugal, Brazil, Cape Verde, Guinea Bissau, Angola, Mozambique and East Timor (São Tomé and Príncipe was excluded because it has diplomatic relations with Taiwan). This article explores the multiple dimensions of this relationship.

We start by focusing on the Macau SAR external relations framework in the context of the “One Country, Two Systems” formula. In section 1, we explore the type of autonomy endowed by China to Macau in the field of external relations. After a brief contextualization of the formula One Country Two Systems, we delve into the concept of paradiplomacy, as we are dealing with the intersection of the diplomacy of a nation state with a group of countries and the regional diplomacy (external relations) of an autonomous region.

In section 2 we look into the bilateral relations between China and each one of the PSC’s. Before that it is necessary to highlight the Chinese multi-layered and multidirectional diplomacy, as a prelude for the Sino-Lusophone linkages. In addition, as seven out of the ten PSC are in the category of the so-called “developing world”, we need also to understand the overall strategy of Beijing towards Africa and Latin America.

In Section 3, we bring the Macau Forum into the picture. We endeavour to provide a detailed overview of the activities since the inception and to explore the multiple dimensions of this multilateral mechanism. Thus we expect to contribute to give partial answers to five key questions:
- Why did China decided to establish a Forum with the PSC?
- Why did Beijing choose Macau as the host of the ministerial sessions and the headquarters of the Permanent Secretariat?
- What has been the added value of Macau in this process?
- How does the instrument fit into the paradiplomacy of Macau’s articulation of its international role?—a SAR, formerly administrated by Portugal—develop its—
- How is the Forum functioning in the P.R.C’s ‘One Country, Two Systems policy own paradiplomacy and how is this articulated with the national foreign policy in the framework of “One Country, Two Systems”?
- Last but not least, how is this Forum linked with the overall strategy of China towards Africa and Latin America?

1. The External Relations of Macau

In December 20, 1999, Macau became the second Special Administrative (SAR) Region of China, following the completion of the transfer transition of the local administration from Portugal to China. After almost 450 years, the Portuguese authorities handed over the territory, as a result of the Sino-Portuguese Joint Declaration, signed in Beijing, in 1987. The document lays down the basic principles and the guidelines for the establishment of the SAR, which provides a special status to Macau for 50 years. The end of the Macau’s colonial era was an outcome of a shared willingness of Portugal and China. Similarly to the case of Hong Kong, the retrocession of Macau and its status as a SAR was also possible according to the “One Country, Two Systems” principle outlined by Deng Xiaoping, which led to the introduction of article 31 in the Constitution of the People’s Republic of China. As stated in section 7 and chap. VIII of Annex I of the Joint Declaration, Macau will enjoy a “high degree of autonomy except in foreign and defence affairs which are the responsibilities of the Central People's Government”. According to article 136 the Basic Law of Macau, the SAR “(...) may, on its own, using the name “Macao, China”, maintain and develop relations and conclude and implement agreements with foreign states and regions and relevant international organizations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, tourism, cultural, science and technology, and sports fields”. The MBL also allows the establishment of MSAR official and semi-official economic and trade missions in foreign countries. Compared to other Non-Central Governments (NCG), Macau benefits from a clear legal framework governing areas where the Region can develop its own external relations.

Indeed, in terms of external relations, the cases of Macau and Hong Kong have different features from other autonomous regions, not only because of the unique legal and political nature of an SAR, but also because of the colonial past and the previous paradiplomatic activities developed under Portugal and the United Kingdom.

1.1 On paradiplomacy

By para-diplomacy we mean the external relations of sub-national Non-Central Government (NCG) actors. Since the early 1980s, scholars have been debating the meaning and usefulness of

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2 Article 31 states: “The state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by law enacted by the National People's Congress in the light of the specific conditions”. See “Constitution of the People's Republic of China”. Retrieved on June 2009 from: http://english.peopledaily.com.cn/constitution/constitution.html

this “neologism”. Paradiplomacy became a buzz word applied to different actors: autonomous regions, federated states, non-autonomous provinces or even municipal units. Moreover, it is used to describe several types of external contacts: between a NCG and foreign nation states, transborder regional diplomacy (between neighbouring regions belonging to separate nation states) or between non contiguous sub national units. In any of these situations, contrary to state diplomacy, which is focused on pursuing “a defined state interest in the international arena”, paradiplomacy “is more functionally specific and targeted, often opportunistic and experimental”. In the case of Macau, we follow Barry Bartmann’s concept of paradiplomacy as “the outreach of non-sovereign jurisdictions to actors beyond their own borders and the frontiers of their metropolitan relationships or claimant states”. In most cases - surely in the situation of Macau - the rise of paradiplomacy does not imply the weakening of nation state as the ultimate bearer of sovereignty. It illustrates often the tendency of nation states to endow NCGs a role in certain fields, often regarded as “low politics”. Therefore, “paradiplomacy is, at best, a competence devolved to autonomous entities and hence it is the sovereign state that decides how much of its power it shares”. Moreover, this phenomenon may even increase the power of the nation states, as they make use of regional features to deepen their linkages with external partners, in a multilayered diplomatic approach, not only through the NGCs but also major private actors with similar interests in widening their business in tandem with the national and regional diplomatic and paradiplomatic strategies. As noted by La Palombara, “even as national governments decide to share some of their sovereignty with their internal regions, their scope of power can actually grow and not decrease”. Surely there may be negative implications for national diplomacy for the NCG external relations activities, which may be a harmful derogation of national prerogatives and a menace to the unity and coherence of the nation state foreign affairs. In this essay I will argue that in the case of Macao, paradiplomacy contributes to “rationalize foreign policy”. However, as we are dealing with Macau, we regard paradiplomacy under a “positive” perspective: a contribution to “rationalise foreign policy in the context of an ever-growing complex world as NCGs can clearly promote their interests but in accordance with central governments, share costs and pool resources with central governments and complement

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4 In the eyes of Iñaki Aguirre it does not make much sense to use “paradiplomacy to characterise the international involvement of NCG, as their activities are not a parallel form of diplomacy. He believes that “the international involvement of of NCGs could much more properly be labelled postdiplomatic, because it is a process that moves beyond the nation-state, that is, beyond diplomacy”. See Aguirre, Iñaki (1989).“Making Sense of Paradiplomacy”. In Francisco Aldecoa & Michael Keating (Eds), Paradiplomacy in Action: The Foreign relations of Subnational Governments, London and Portland:Frank Cass. However, given the autonomy of the SAR’s in designated areas, paradiplomacy can not be reduced to the principal-agent relationship Aguirre seems to have in mind.


foreign policy”\textsuperscript{10}. It should be noted that the paradiplomacy we are discussing in this paper is part of a general process in which “domestic government institutions engage in activities beyond their borders, often with foreign counterparts”\textsuperscript{11}.

1.2 External Relations Framework

During the first ten years as China’s SAR, Macau has been playing a low profile, but complementary role in the overall Chinese foreign policy. Its paradiplomacy has been conducted always in full articulation with Beijing’s foreign relations, within the borders of the framework enshrined in the Basic Law. Perhaps, as we will see in this essay, the Macau authorities were to some extent too timid in exploring the potential autonomy granted by China and the Basic Law. Despite the apparent clear-cut “division of labour” between the Chinese central government and the SAR authorities in what concerns external relations, reality show a more complex scenario. Going beyond the literal meaning of the provisions outlined in the Joint Declaration and the Basic Law, Miguel Santos Neves argues that Macau (and Hong Kong) has a four-tier external relations structure, as shown in Figure 1.

Figure 1. Macau’s external relations framework

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Source: Based on Neves’ analysis\textsuperscript{12}.


\textsuperscript{11} Anne Marie Slaughter - in her \textit{A new World order}. Princeton: Princeton university Press 2004, p. 12 - sees a transition of the ‘unitary state’ to the ‘disaggregated state’ as requirement for effective governance of mutual interdependence.
The Policy Formulation tier is a positive area of autonomy for Macao to articulate its own interest in the definition of China’s long-term strategy for relations with foreign countries. The second tier is related to article 136 of MBL. This provision enables Macau to conduct, develop relations and sign agreements with external countries, territories and international in “economic, trade, financial and monetary, shipping, communications, tourism, cultural, science and technology, and sports fields”. The third tier denotes a restrictive autonomy, referring to agreements and pacts where specific authorization from Beijing is requested. This is the case of for example visa abolition matters. The fourth tier is clearly the negative area of autonomy. These issues are dealt entirely with by the Central Government.

During the first decade, the MSAR focused its external relations strategy on three regions or groups of countries: European Union, Portuguese Speaking Countries and Southeast Asia. This is shown by the ministerial-level visits to the SAR and by the overseas visits of the Chief Executive of Macau. In 10 years, he went twice to Portugal and Brussels, to the headquarters of the European Commission, in 2000 and 2006. This was a signal of willingness of maintaining a good relation with the former foreign metropolitan administration and with the EU. In addition, he also visited Germany, the top European powerhouse, in 2004. As for Portuguese Speaking countries, besides Portugal, Edmund Ho was in Mozambique (2002) and Brazil (2005). Since 2003, as we will underscore, the linkages between Macau and the Portuguese Speaking countries became more intense, with ministerial-level visits to the SAR and several events and activities related to the Macau Forum. In 2007, Edmund Ho visited three Southeast Asian countries – Thailand, Malaysia and Singapore – to boost economic and commercial relations with these nations that became a growing source of tourists.

1.3 The Macau Forum

From 2003 onwards, the Portuguese Speaking countries emerged as the most important asset of Macau’s external linkages. In that year the Chinese government launched a new initiative, the Macao Forum. It brings a new instrument into the governance of China’s foreign relations. The Forum for Economic and Commercial Cooperation between China and Portuguese Speaking Countries (Fórum para la Cooperação Económica e Comercial entre a China e os Países de Língua Portuguesa, in Portuguese) – hereby referred as the “Macau Forum” - is intended to deepen and widen the linkages between China and the Lusophone nations: Portugal, Brazil, Angola, Mozambique, Guinea-Bissau, Cape Verde, and Timor-Leste (Sao Tome and Principe is not part of this Forum because of the ties with Taiwan). The Chinese authorities decided that Macau should not only host the ministerial meetings of the Forum, but also the Permanent Secretariat. From then on, the Macanese and Chinese authorities have portrayed the MSAR as a

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12Neves, op cit, p. 61.
13Macau and the EU hold regular high-level contacts and have been cooperating in several fields. The relationship is based on the “Agreement for Trade and Cooperation between the European Economic Community and Macau” signed in Luxemburg on June 15th 1992. For a broad perspective on the framework of the relations between Macau and the EU, see Neves, Miguel Santos, op. cit.; Sales Marques, José Luis (2008). “Macau and Hong Kong in the context of EU-China relations”, Jean Monnet Conference - The European Union at 50: Assessing The Past, looking Ahead", Universidade de Macau, May 10, 2008; Neves, Miguel Santos & Bridges, Brian (Eds) (2000). Europe, China and the Two SARS: Towards A New Era, London: Palgrave Macmillan.
platform for sino-lusophone cooperation. Beyond the official rhetoric, right from the beginning of this process several observers asked three basic questions: Why? Why Macau? Why at that time?

2. China and the Portuguese Speaking Countries

In order to provide a satisfactory answer, we started by providing an overview of the external relations autonomy in the context of the “One Country Two Systems” framework. As the Macau Forum is a national endeavour, we have to put it in perspective, taking into account the overall Chinese foreign policy strategy in the 21st century and the relations between China and Africa and China and Latin America. We chose to follow this path because we understand that the most important Portuguese Speaking partners of Beijing are Angola and Brazil.

2.1 China’s multi-layered diplomacy

Since the mid 1990s, China began a shift in its strategy and behaviour as a player in the International System. During the last 15 years, Beijing has been pursuing a multi-level and sophisticated diplomacy, strengthening bilateral and multilateral linkages worldwide. In East Asia, China deepened the relations with Southeast Asia, either bilaterally, or by participating in regional organizations as the ASEAN Regional Forum14 and in the ASEAN Plus Three Process (ASEAN countries plus China, Japan and South Korea). In 1996, with Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, China took the initiative to launch what was denominated “Shanghai Five. It is - a multilateral device created to enhance confidence-building measure and cooperation on cross border issues, later baptized Shanghai Cooperation Organisation (with Turkmenistan also as a member state). In 2000, China set up a more ambitious mechanism: the Forum on China-Africa Cooperation.

China has also been in the front run of other new multilateral polities as the Asia-Europe Meeting (ASEM), an initiative launched in 1996, gathering seven ASEAN countries, China, Japan, South Korea and the EU member states. With the world major powers, China set up strategic partnerships and developed networks of multi-level dialogue. Russia, US and EU are examples of this tendency to create networks of communication with selected groups of countries. It gives content to the new negation-based multilateralism in China’s foreign policy. China’s multilateral impetus is related both to its national interest and to a certain perspective on the regional environment and the global order. In the several multilateral mechanisms, Beijing pursues different interests in the pursuit of its own development: differentiated objectives in a flexible approach and understanding of multilateralism. Yong Deng underlines three main goals pursued by China in its multilateral ventures, especially in what concerns to the developing world15: first, to promote social and economic development at home; second, as a way to undermine the China Threat theories and allow the “recognition of China as a responsible great

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14 The ASEAN Regional Forum (ARF) is an informal Forum gathering 23 countries: the ten ASEAN member states, the ten ASEAN dialogue partners (Australia, Canada, China, Democratic People's Republic of Korea, Republic of Korea, United States, India, Japan, Mongolia, New Zealand, Russia and the EU) and one ASEAN observer, Papua New Guinea.
power16, relying heavily on international institutions to reassure the outside world of its unthreatening intentions17,18; and third to restrain “potential hostile powers and gaining initiative in shaping the international environment”19. In sum, “Multilateral diplomacy makes China’s power less feared but also more welcomed20. On the other hand by embracing institutions and multilateralism, even if it did it only due to ambitions of maximizing political and economic power, China may end up by itself being shaped by the institutionalist logic21.

Joshua Kurlantzick22 describes China’s stance in world affairs and Chinese diplomatic and informal initiates as a “Charm Offensive”. Based on Joseph Nye’s soft power, Kurlantzick broadens this concept, including formal diplomacy and investment as instruments of China’s soft power in this “Charm Offensive”. Following Nye, “soft power is more than just persuasion or the ability to move people by argument, though that is an important part of it. It is also the ability to attract, and attraction often leads to acquiescence. It is leading by example and attracting others to do what you want”23. China’s soft power has been unleashed in multiple ways, anchored in “win win game” rhetoric and in the promotion of Chinese language and culture worldwide. China’s charm offensive in the 2000s coincided with US’s decline. The Chinese strategy was intensified when Chinese officials promoted their discourse the concept of Peaceful Rise (heping jueqi) later reframed and altered to Peaceful Development (heping fazhan) because of the potentially pejorative impact of the word “Rise”.

What is then behind this strategy of China of disseminating its soft power? Kurlantzick believes that the “Chinese leadership created Peaceful Rise as it realized that its hard power remained relatively weak”. Following the failure of a tougher stance in the crises of the mid- and late 1990’s, “the leadership in Beijing decided to tone down the military action and instead focus on building China’s global soft power”. Hence, “Peace would foster prosperity, providing opportunities for Chinese companies to look overseas for outlets for their goods, allowing resources like oil to flow in and out of China unimpeded and paving the way to China to build its own national science and technology capabilities24”.

2.2 Cooperation with the developing world: Africa and Latin America

Always based on the “Five Principles of Peaceful Coexistence” – mutual respect for territorial integrity and sovereignty, mutual non-aggression, non-interference in each other's internal affairs,

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16 Idem, ibidem, p. 234
17 Idem, ibidem, p. 235.
18 Indeed, institutions are overly important instruments in international relations, namely for those nations who strive for stability and predictability. As noted by Lisa Martin, “The entire point of institutions is to embody norms and rules, and thus to induce more certainty and predictability in patterns of international interactions” (Martin, Lisa L. (1999). “An Institutionalist View: International Institutions and State Strategies”. In T.V. Paul and John A. Hall, (Eds) International Order and the Future of World Politics, New York: Cambridge University Press, p. 91.
20 Idem, ibidem, p.236
21 “Even if China’s political elites started out with preset materialist goals in mind, the multilateral processes inevitably have changed what they view as appropriate, credible and sound policy choices”. (Idem, Ibidem, p.244)
equality and mutual benefit, and peaceful coexistence – China shifted its approach to the
developing world as well, especially Africa, from an ideological rhetoric towards a rather
pragmatic behaviour. As Joshua Eisenman says, “Today Mao’s Red Book has been replaced by a
balance sheet”\textsuperscript{25}.

After the end of the Cold War, Beijing abandoned a more ideological approach and began to
steer its foreign policy towards Africa, Asia and Latin America under a pragmatic perspective,
based on the concepts of Peace and Development and according to its necessities in terms of raw
materials and economic interests. Officially Chinese government considers cooperation and
partnership with African nations a key element in Beijing’s foreign policy. “Sincerity, equality
and mutual benefit, solidarity and common development—these are the principles guiding China-
Africa exchange and cooperation and the driving force to lasting China-Africa relations”, says
“China’s African Policy” paper\textsuperscript{26}. Chinese relations with Africa have during this decade become
wider, deeper and more complex. The thrust of Chinese policy towards African nations stems
from an urgent need not only of energy, but as well of several types of raw materials which are
essential to feed the hunger of Chinese metal-intensive stage of industrialization. The reality has
been the growth of an unfavourable trade balance for many African nations\textsuperscript{27}.

Chinese diplomacy has been very serious on elevating the profile of China in the African
continent and on celebrating the new Era in China-Africa relations through summity. In 2000,
the Chinese government launched the Forum on China-Africa Cooperation (FOCAC), a new
multilateral instrument that has been working a symbol of the ever closer relationship. After the
ministerial conferences in 2000, in Beijing in 2003, in Addis Ababa, Ethiopia, in 2006, the world
witnessed an unprecedented meeting: Heads of State and Government of 35 African countries
were in Beijing for a bold celebration widely promoted in mainland China, as the elevation of
China as a beacon of the Developing World, as the best friend of the African Continent, 51 years
after the Asian-African conference in Bandung, Indonesia, and more than four decades after
Premier Zhou Enlai’s famous African tour.

In the 2000s, top level Chinese leaders have been paying visits to the African continent every
year. From 2007 to 2009, President Hu Jintao had three tours in Africa, visiting 15 countries.
China-Africa relations came to the spotlight of the international news agencies and became a
growing field for research in the Academia. Beyond trade and investment, Sino-African linkages
involve financial cooperation, agricultural cooperation, infrastructure education, science, culture
Medical and health cooperation, conflict settlement and peacekeeping operations, and military
cooperation, among other sectors.

Although mineral and natural resources play a very important role in China’s approach to Africa,
it would be overly incomplete to overlook other dimensions. In addition to energy resources,
Eisenman underscores the importance of other factors behind China’s “passion” for Africa, such
as looking for political support, to boost Beijing’s influence in the international institutions,

\textsuperscript{25} Eisenman, Joshua (2007) “China’s Post-Cold war Strategy in Africa: examining Beijing’s Methods and
Objectives”. In Joshua Eisenman, Eric Heginbotham &Derek Mitchell (Eds) “China and the Developing World:
\textsuperscript{26} Ministry of Foreign Affairs of the People’s Republic of China (2006), “China’s African Policy” Retrieved June
\textsuperscript{27} For detailed information on China-Africa trade, see Trade Law Centre for Southern Africa, “Africa-China trading
China09.pdf
promote the “One China Policy” and thus isolate Taiwan diplomatically, and to take advantage of commercial opportunities\textsuperscript{28}, as Sino-African trade soars\textsuperscript{29}. These objectives have been carried out through several methods, as humanitarian, cultural and educational projects (soft power), agricultural and technical assistance, investment and economic support through grants and loans (Since 2000, China cancelled the debt of 31 African countries), military patronage and peacekeeping and diplomatic support. Eisenman sums up Chinese strategy as follows:

“Beijing’s strategy in Africa has been designed to ensure access to energy and other critical natural resources, open new markets for exporters, and enhance China’s ability to safeguard its interests in international fora and institutions. In pursuit of these objectives, Beijing has been pragmatic and has shown little regard for ideology or humanitarian constraints”\textsuperscript{30}.

Some analysts started to depict China as a new model, an alternative to the Western-based liberal democracies, to many African nations: a sort of Beijing Consensus\textsuperscript{31}, as response to the so-called Washington Consensus. Zimbabwe’s President Robert Mugabe put the question in a clear-cut way: ”We have turned east where the sun rises, and given our backs to the West where the sun sets.”\textsuperscript{32}

However, several diplomatic challenges loom ahead. Xu Weizhong highlights three main challenges: “a transformation from elite to mass diplomacy, from official to civilian diplomacy and bilateral to multilateral ties”\textsuperscript{33}. He warns that with the increase of Small and Medium Enterprises (SMEs) in the relationship, the role of ordinary citizens became more relevant. In this context, insufficient understanding on both sides and the distorted perspectives may harm the ties\textsuperscript{34}.

In Latin America, China also searches for raw materials and looks for the markets for its products\textsuperscript{35}. As it has been happening in Africa, Chinese state oil and natural resources companies are investing heavily in Latin American, a quasi-continent that holds 9.7 per cent of the world’s proven reserves. In Latin America, China finds oil, copper, iron ore or bauxite supply – among other resources. It is also a very important source of soybeans, grains and other foodstuffs. In the

\textsuperscript{28} Only five African nations keep diplomatic relations with Taiwan: Sao Tome and Principe, Swaziland, Gambia, Malawi and Burkina Faso.

\textsuperscript{29} Eisenman, \textit{op cit}, pp.34-41.

\textsuperscript{30} Idem, \textit{ibidem}, p.51.

\textsuperscript{31} See Ramo, Joshua Cooper (2004). “Beijing Consensus”, \textit{The Foreign Policy Centre}, Spring 2004


\textsuperscript{34} Xu underscores the impact of intersubjectivity in Sino-African relations and the relevance of perceptions and misperceptions: “If in the future, both China and Africa pay insufficient attention to mass diplomacy and do not broaden their knowledge of one another’s history, culture and customs, the danger is that cultural misunderstandings and a gulf between the citizens of both sides will develop”. Xu, \textit{Idem, ibidem}, p.73.

2000s, China boosted its relations with Latin America mostly through a skyrocketing trade increase. Commercial linkages soared from 12.6 billion US dollars in 2000 to 140 billion in 2008.\(^{36}\)

Contrary to what has been happening in several African countries, China’s investment in Latin America is deemed as somehow disappointing by regional leaders and analysts. Official figures indicate a total of 24 billion US dollars in Chinese direct investment in the region. There is thus a clear asymmetry between China’s trade and investment in the region.\(^{37}\)

The strategic importance attached to the region was underpinned in a policy paper.\(^{38}\) In the same vein of China’s African Policy paper, this blueprint China’s main policy goals towards Latin America and the Caribbean: Deepen cooperation and achieve win-win results (economy and trade cooperation); Draw on each other's strengths to boost common progress and intensify exchanges (culture and people to people exchanges); and promote the One China Policy (as 11 of the 23 nations that have diplomatic ties with Taiwan are located in the Caribbean and Central America. Politically, during the last decade, China took advantage of the United States’ fading influence in a region labelled in the past as Washington’s backyard. In addition, the anti-US (mostly anti-Bush) backlash in the region was spurred by the rise to power of leftist leaders, as Hugo Chávez, in Venezuela, Evo Morales, in Bolivia, or Daniel Ortega in Nicaragua. Yet, as seen before in the case of Africa, China’s foreign policy and external economic and trade policy is overly pragmatic and not ideological.

In the eyes of the American sinologist David Shambaugh, “Latin American countries also embrace China as part of their new multidirectional diplomacy”. This “has introduced a new set of relationships in world affairs, and China’s rapid rise in these regions has made Beijing a truly global actor, if not a global power”.\(^{39}\)

### 2.3 Linkages with the Lusophone countries

China’s relations with the Portuguese Speaking countries are an extension of Beijing’s approach to Africa and Latin America. This happens as six of the Eight Lusophone nations are located in those regions and continents. Portugal, in Europe, and East Timor, in Southeast Asia, are the exceptions. In this section we analyse and review briefly country-by-country China’s linkages with the Portuguese Speaking nations. To the level of importance attached by China to each of these nations, we can start by looking at the bilateral relations.

As shown in figure 2 (below), Angola and Brazil represent 95 per cent of China’s trade with the Lusophone countries. However, it is not accurate to conclude that China’s foreign policy is

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\(^{36}\) Still, China lags behind the US and the EU, as a trade partner of the Latin American region. According to IMF statistics, in 2008 Latin American exports to China represented 5.6 per cent of the region’s total exports and imports from China accounted for 8 per cent. As for the exports, the US absorbs 42 per cent of Latin America’s sales and the EU 17 per cent.


completely proportional to the statistics of trade. In any case, there is no doubt about how Brazil and Angola top Beijing’s priorities in its relations with the Portuguese Speaking Countries. Chinese foreign policy deals mostly bilaterally with these countries, despite having a multilateral instrument: the Macau Forum, which is below the Ministry of Commerce and not under the umbrella of the Ministry of Foreign Affairs. Indeed, spread throughout four continents, the Portuguese Speaking countries are diverse in their size, economy, geopolitical relevance and culture. They share the same past – formerly being part of Portugal’s overseas empire – and as a consequence, the same official language: Portuguese. Overall, they have a combined population of 230 million people.

**Figure 2. China-PSC trade (2008), in proportion.**

Looking at China’s bilateral relations with these countries, we start by highlighting the role of Brazil, which is clearly the most important Lusophone country in terms of size, economy and population.
Currently, Brazil is undoubtedly not only the most important Lusophone partner of China, but also the chief nation in Latin America: Brazil accounts for 34 per cent of China’s trade with the region.

The bilateral trade relations are a clear indicator of the paramount importance of Brazil: according to Chinese statistics, between 1998 and 2008, trade soared from 2.2 billion US dollars to 48 billion, a twenty-fold increase. As a result, China toppled the US as Brazil’s major trade partner.

Chinese import mainly soy bean, iron ore, transport machinery and equipment, electronic appliances, rolled steel, pulp, auto parts, leather, timber and civil-use airplanes, whereas China sells to Brazil mostly home appliances and electronic and machinery equipment, metal ware, high-tech products, coke, yarns, textiles and products, and radio sets.

Behind this trade bonanza we find, on the one hand, China’s need (thirst) for raw materials, oil and natural resources in order to feed its hungry booming economy, one the other hand, as Brazil’s middle class enlarges, China benefits by exporting goods and products to a burgeoning consumption market. China is currently a major supplier of toys, clothing and synthetic filaments to Brazil. Recently, China became also Brazil’s first trading partner in the field of electric machines and devices, overtaking the US, Japan, Germany and South Korea, in a period of just 6 years.

Contrary to its African partners, Brazil emerged alongside with China, India and South Africa, as an emerging power from the South. Sino-Brazilian relations are thus at the same level field. China does not seek only raw materials and foodstuffs in Brazil. The Chinese also look for technology transfers and joint undertakings, to benefit from the knowhow and development of Brazil’s high-end industries. Since 1988, both countries have been cooperating on space technology: they have been deploying jointly earth resource satellites, in the context of the
project CBERS - China-Brazil Earth Resources Satellite. In terms of industrial cooperation, Embraer is the flagship joint project. Embraer, Brazil’s major aviation manufacturer and China Aviation Industry Corporation created the Harbin Embraer Aircraft Industry Company Limited. This was the first time China cooperated with a foreign aviation manufacturer on an entire aircraft.

In Brazil, major Chinese steel and mineral industries are stepping in Brazil. In 2007, Boaosteel, the world’s sixth-largest steel producer, and the Brazilian Companhia Vale do Rio Doce established the joint venture Boaosteel Victoria Iron & Steel. This was the first overseas investment of steel plan of Boaosteel. Also, China Minmetals announce a 2 billion investment in aluminium and copper project. Despite this ever-close relationship, China and Brazil have been entangled in commercial disputes. Some business interest in Brazil, namely from the industrial sector, have been showing dissatisfaction over the “invasion of Chinese products” and losing market share in third countries. In order to improve the Sino-Brazilian relations, Barbosa and Mendes believe there should be a push for a greater “diversification of encouraging the development of new productive partnerships beyond traditional sectors and using the minimum protection is necessary to guard national producers”.

In an article published by the newspaper China Daily, at the time of the May 2009 visit to Brazil, Presidente Luís Inácio Lula da Silva stated that Brazil and China are part of an ongoing process of dialogue amongst emerging countries to shape the international order. Politically, both countries have been working together pushing for a rapid conclusion of the Doha Round in the WTO and refusing a wave of protectionism. As for the future Lula da Silva says it is crucial to be “be fully aware of Brazil's and China's shared responsibility to help bring about the fundamental reforms in global governance that the world so urgently needs”.

Despite the cordial and overly optimistic tone, we can find in this article a couple of ideas that imply some criticism, regarding economic and trade relations: Lula says Brazil wishes to diversify its exports to China and attract more investments” and to see “bilateral cooperation expanded to include biotechnology and nanotechnology and other areas of biofuels”.

In Africa, Angola is by far China’s paramount partner. In 2008, Angola became China’s first trade partner in Africa, with a trade of about USD 25 billion.

**Angola**

Beijing only set up diplomatic linkages with Luanda in 1983, as since 1975, the ruling party MPLA Angola pledged allegiance to the Communist Party of Soviet Union. The governments of China and Angola signed in 1984 a Trade agreement and in 1988 set up a Mixed Economic and Trade Commission.

The Sino-Angola relations got a new impulse after 2002, when the long lasting year civil war came to an end.

The economic cooperation was deepened in 2004 with the agreement on a $2bn line of credit from China’s export bank Eximbank, to enable Angola to reconstruct infrastructure, including

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electricity, railways and administrative buildings - destroyed during 30 years of civil war. In return China would receive 10,000 barrels of oil a day. Also as a result of the Chinese Vice Premier Zeng Peiyang in 2004, both governments signed an agreement on economic and technical assistance package.

Beijing has already granted credits of 4.5 billion U.S. dollars to finance the construction of infrastructures, such as schools, hospitals, roads, railways and to repair electrical networks. According to Chinese sources, currently there are 59 big Chinese companies operating in Angola, mostly in energy, raw materials, oil and infrastructures sectors. Between 2004 and 2006, Chinese companies grasped over 3 billion US dollar worth of construction contracts.

The most relevant agreements and contracts between China and Angola have been related to energy resources and raw materials. In 2004, three major oil agreements were also signed. Angolan state oil company Sonagol agreed on a long term supply of oil to Sinopec, one of the major Chinese companies – both enterprises will assess Block 3 of Angola’s offshore. In fact, oil became the driving force behind China-Angola relations. In 2006, Angola surpassed Saudi Arabia to become the number one supplier of oil to China.

China’s hands-off approach in terms of internal affairs was warmly welcomed by Luanda, as international institutions were always requiring certain levels of transparency, good governance and human rights record. Indeed, China’s loans allowed Angola to snub the International Monetary Fund’s loan proposal. As noted by Indira Campos and Alex Vines, “From Angola’s perspective, the Chinese provide funding for strategic postconflict infrastructure projects that Western donors do not fund. Chinese financing offers better conditions than commercial loans, lower interest rates, and longer repayment time”42.

In just five years, China had a huge impact on Angola’s economy. The influx of Chinese companies and citizens – over 50 thousand – is still being absorbed by the locals. In this context it seems important to work on better mutual research and understanding. Other challenges are posed by the “lack of institutional framework and government capacity to monitor and encourage direct investment in terms of local skills development and technology transfer”43.

Mozambique

The other major partner of China in the Portuguese speaking Africa is Mozambique. The diplomatic relations were established since Mozambique became independent, in 1975, as the ruling party, FRELIMO, always had good relations with the Chinese Communist Party. Sino-Mozambican gained momentum in tandem with China’s new strategy for the African continent and following the establishment of the Macau Forum, in 2003. Earlier, in 2001, both countries had signed a Trade Agreement and Agreement on the Promotion and Reciprocal Protection of Investment and set up a Joint Economic and Trade Commission. From 2004 to 2008, bilateral trade soared, from 70 million to 414 million US dollars. Similarly to what happens Africa-wide, China looks for natural resources in Mozambique. There, Chinese find


fisheries, and agricultural products, gas, aluminum, timber, logs, marble, bentonite, coal, gold, bauxite, granite and gemstone.\(^4^4\)

China also has also been generous with Mozambique in terms of development aid and soft loans. In 2006, China’s Eximbank provided a US$60 million soft loan for infrastructure construction. In addition, Beijing cancelled a big share of the country’s debt: 52 million US dollars. Chinese companies have also been building public infrastructures in Mozambique, a country that, similarly to Angola, was devastated by a bloody civil war that lasted for 16 years. Thus Chinese companies have been building several infrastructures as schools, football stadiums, the parliament building, bridges, roads or railways. Maputo Port Development Project, the Limpopo railway line and the Zambezi Bridge are among the major projects. At the top-government level, Chinese foot in Mozambique is warmly welcome. In 2006, speaking at a meeting on Africa-China cooperation at the World Economic Forum in Davos, Switzerland, Mozambican president Armando Guebuza said “China is very welcome in Africa” and rejected criticisms that Beijing is only looking for natural resources in Africa. He added that China puts the money where its words are, contrary to traditional cooperation partners “have not honoured their commitments to Africa”, in a reference to Western countries.\(^4^5\)

Nevertheless, at the civil society level, there are some organizations overly sceptical towards China’s “no strings attached” rhetoric and regarding the behaviour of Chinese companies in Mozambique. Sérgio Chichava says “there is a gap between the two sides, with the political elite very enthusiastic, considering China as a good partner, whereas some important strata of the society is doubtful, accusing China of doing the same thing that western countries did during colonial times”.\(^4^6\) The same kind of concern is expressed by Loro Horta: “If not managed responsibly, China’s presence in Mozambique may turn out to be no different from past colonial experiences that brought the country so much loss”.\(^4^8\)

Cape Verde

The archipelago of Cape Verde may seem a not-so-important partner to China, but the country’s geopolitical position, in the heart of the Atlantic Ocean, as a platform between Europe, Western

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\(^4^4\) Wood became the big business between in bilateral trade: more than 90% of Mozambican exports in timber going to China.


\(^4^6\) In an open letter to Hu Jintao, written in 2007, when the Chinese President visited Mozambique, Marcelo Mosse, the head of the local NGO Centro de Integridade Pública (Center for Public Integrity), expressed his concerns on Chinese attitude and intentions towards Mozambique: “China may build football stadiums, offer scholarships, erect bridges, combat malaria, but that generosity may not have as bargaining chip to promotion of easy and illicit enrichment of our elite, environmental vandalism, of piracy in public works, precariousness of employment, de-construction of the institutions that we have been rebuilding. Therefore, we would like to see him, rather than announcing the construction of a new presidential palace, making it clear that Chinese companies in Mozambique will adhere to the country’s rules, laws and institutions (including environmental management) and that democracy must be respected”. As quoted in Chichava Sérgio (2008), “Mozambique and China: from politics to business?”, Coleccão de Discussion Papers do IESE. Retrieved August 2009 from: http://www.iese.ac.mz/lib/publication/dp_2008/DP_05_MozambiqueChinaDPaper.pdf

\(^4^8\) Chichava, Sérgio, idem, ibidem.

Africa and America, and the opportunities in the tourism sector may bring up the nations’ profile in Beijing’s foreign relations. China and Cape Verde set up diplomatic ties in 1976, but the linkages only became more intense by mid 1990s when small and medium Chinese businessmen arrived to the islands. As time went by, big state-owned companies also stepped in. In 2003, China Building-Material Industrial Corporation for Foreign Econo-Technical Cooperation built a cement factory in a 55 million investment. Chinese companies also became involved in building public infrastructures, as the national parliament, the government palace, the national stadium and dams. As a signal of good will, Beijing also cancelled the country’s debt. The tourist sector also bears great opportunities for a “win-win” deal. On the one hand, some Chinese investors have shown interest in investing in resorts. The most notable case is David Chow’s – a Macau-based casino and hotel entrepreneur – who has pledged to invest $100 million. On the other hand, Chinese authorities have promised to make the country an important destination for the growing market of Chinese tourists. In the eyes of Loro Horta, “The Cape Verde example shows that China’s economic relations with Africa are becoming more sophisticated and multidimensional. The stereotypical view in some western quarters is that China and Chinese businesses are only interested in raw materials and fast profits in Africa (…) But today, Chinese business are increasingly adaptable and able to thrive even in well-governed countries traditionally tied to the west”.49

Guinea-Bissau

Guinea Bissau is the poorest and the most unstable Lusophone country in Africa. The diplomatic relations between Beijing and Bissau have had different periods since the unilateral proclamation of independence by PAIGC leader Amilcar Cabral, in 1973. Between 1974 and 1990, China helped Guinea-Bissau in the construction of infrastructures, technical aid and on new agriculture techniques. From 1990 until 1998 Guinea Bissau set up ties with Taiwan which meant that all the relations with Beijing were cancelled. The links with China were resumed in 1998. Since then, there have been cooperation projects on agro-technology, fishery, housing, power-generating equipment and technical cooperation on bamboo-weaving, infrastructures, etc. Recently, China funded the construction of important facilities and infrastructures, a large scale dam, a deep water port, reconstruction of the country’s most important highways, bridges. China also offered to build national parliament building, rehabilitate the presidential palace, public housing projects and other social facilities.50 Guinea Bissau’s natural resources are, obviously, under China’s radar. Chinese experts are set to study the potential of reported oil reserves. Beijing also allocated US$10 million to Guinea Bissau to help towards development, cereal donations of almost US$1.5 million. In the fields of Education and culture, China grants every year 100 scholarships to Guinean students to join mainland China universities.

East Timor

East Timor is the only PSC in the Asian continent. After the 1975 bloody civil war and the even bloodier annexation by Indonesian forces, East Timorese spent almost 25 years under the flag

and occupation of Indonesia. In 1999, in an UN-sponsored referendum, the overwhelming majority of the people voted for independence. Following three years of UN administration, East Timor became in 2002 the first nation state of the 21st century. China was the first country to establish diplomatic relations with Dili. Since then, Beijing has been a “good friend” of one of the poorest countries in the world, which is still struggling for national unity and political stability. Chinese strategy towards East Timor is similar to what has been happening in the African Lusophone nations: providing aid to construct government buildings and public infrastructure, training human resources, namely civil servants courses in China and giving scholarships to Timorese students to enter Chinese universities. To China, East Timor is an important partner in the Southeast Asia-Australasia region: not only for geopolitical motives, but mostly due to the Timorese oil and gas. Chinese companies are eager to get a good share of the exploration of the offshore oil and natural gas reserves. For the moment, China has not yet been awarded with contract to explore the natural resources, but as underscored by Ian Storey, “Beijing, hedging a rise in the price of hydrocarbons once the inevitable economic recovery gets underway, is likely to take a more long-term view”. Meanwhile, trade has been soaring, expanding from 1.7 million in 2005 to 9.4 million in 2008.

Portugal

Portugal plays a specific role on the relations between China and the Lusophone countries because of historic reasons. Although the diplomatic relations with the People’s Republic of China were only established in 1979, Portuguese and Chinese met for the first time in the 16th century - since then until 1999 Lisbon was responsible for the administration of Macau. During the process of the negotiations of the handover of Macau to China, Portugal and China kept regular and intense diplomatic exchanges and signed various documents. As the whole process – negotiations, handover and post-handover - occurred smoothly, Lisbon and Beijing highlight the importance of the bilateral relations. Besides the documents related to the process of the return of Macau to the mainland, both countries signed agreements on avoiding dual taxation and prevention of tax evasion, cooperation of science and technology, protection of investment, education, among other issues. In December 2005, when prime-minister Wen Jiabao visited Lisbon, China and Portugal established a “Global Comprehensive Strategic Partnership”. At that time, Wen also set a goal for the Sino-Portuguese relations: to double the bilateral trade within a period of three years. The objective was accomplished ahead of schedule. But the fact is that despite being China’s oldest European and Lusophone partner, Portugal represents only 0.58 per cent of China’s trade with the EU and 3.4 per cent of the Sino-Lusophone commerce, according to Chinese statistics. This is the case for several motives. Portugal’s economy has been struggling since 2000, with very low growth rates (sometimes negative growth). Besides, contrary to Angola, Brazil or Mozambique, Portugal is not a rich country in terms of natural and energy resources. The

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country’s industrial sector has been facing the challenges brought by globalization and the
delocalisation of factories to Eastern Europe, Northern Africa and Asia. After an impulse given
by the Portuguese government in Lisbon and Macau to expand Portuguese industries’ presence
in China and to promote and diversify trade, in the aftermath of the handover, Portugal “turned
its back” to East Asia and focused on Brazil, Portuguese Speaking Africa and the European
Union, as the economic and commercial priorities. Since mid 2000s, the Portuguese authorities
seem to be more aware of the importance of not neglecting the Chinese market and take
advantage of the position of Macau. In this thread, the Trade and Investment Agency of Portugal
(AICEP) opened in 2006 a new delegation in Shanghai, together with a new Portuguese
Consulate, in order to grasp the opportunities in the Yangtze River region. Portugal’s prime-
minister José Sócrates stressed in 2007, when visiting China and Macau, that the PRC is a
priority for the Portuguese economic diplomacy. The fact is that whereas politically, both
countries have a smooth and warm relation, without any visible divergences, economically
there seems to be much room for improvement. As summed up by a senior official from the
Ministry of Commerce of the People’s Republic of China, “with such a good political relation, it
is disappointing that the economic and commercial reality is such a dismay”.

As focused in the previous section, China has strong and deep bilateral ties with each one of
the Portuguese speaking countries (with the exception of Sao Tome and Principe, because of its
linkages with Taiwan). Brazil and Angola are of paramount importance to China, as they are the
major partners of China in South America and Sub-Saharan Africa, respectively. For different
motives, the other Lusophone countries also play important roles in China’s foreign relations,
either for economic reasons or for political motives. This article demonstrates how important the
PSC are for China.

3. The role of Macau in the Sino-Lusophone relations

The Portuguese Speaking nations have a forum of their own, the Comunidade dos Países de
Língua Portuguesa (CPLP - Portuguese Speaking Community), an intergovernmental
organization established in 1996. But China’s multilateral dialogue framework bypassed this
organization. There are two main reasons why Beijing did so. Firstly, Sao Time and Principe has
diplomatic ties with Taiwan. Hence, it was not possible to have a China-CPLP forum. Only a
China-CPLP (minus STP), which would be at minimum an awkward situation. Secondly, China
would always prefer to create a new mechanism that would be born as a Chinese initiative. This
was the case of the China-Africa Forum and is the situation of the Macau Forum.
It is true that Beijing has dialogue frameworks with the EU and ASEAN, but those organizations
are of different nature and importance compared to CPLP.
So it was born the Macau Forum, in 2003, a novelty in international relations, as it gathered an
emerging world power and a group of countries that share the same official language. As
underlined by Ian Storey and Loro Horta,

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53 Portugal was in 2004-2005 among the European nations that stood for the lift of the EU arms embargo to China.
54 Based on personal interviews with Macau-based entrepreneurs.
“Having relations with CPLP members is hardly unique, but China’s methods are quite farsighted, attesting to the increasing sophistication of Chinese diplomacy. Unlike other powers who have engaged in close relations with particular CPLP countries – but had little or no interaction with other members – China not only connects with the various CPLP nations on a bilateral basis but also as a group”.55

The Macau Forum shows once more the multifaceted approach of China to world affairs and Beijing’s flexibility and sophistication. The Macau Forum carries a unique nature also because it was established in the Special Administrative Region of Macau, which is itself – alongside with Hong Kong - a new polity. If in the previous section we explained how important China’s relation with the PSC is, here we aim to answer to the other key questions of this essay: Why China decided to set up the Macau Forum? Why in Macau? What is the added value of Macau in this process?

China would not need the Macau Forum to deepen its develop dramatically its relations with the PSC. The outcomes of this relationship in terms of investment and trade are to a great extent independent from the Macau Forum. In other words, China does not need Macau to make the big business with Angola, Brazil and Mozambique. If this is the case, why bother establishing a mechanism like the Macau Forum? There are several motives for this option.

First, as shown through the China-Africa Forum, summitry is a good way to prevent potential adversities to coalesce against China. In a Multilateral meetings enable China to emerge as a responsible and generous partner that symbolically brings all the countries on the stage at the same level. The Macau Forum is part of China’s “Charm Offensive”, as described by Kurlantzick56: using the means of soft power and diplomacy to improve the country’s image and to promote China’s profile, in countries where Beijing is investing heavily.

By adding this multilateral dimension to the bilateral sphere China adds a new layer, a Forum where China is always the host and the propeller. As noted by Yong Dong, multilateral diplomacy also allows China to be recognized as a responsible great power57.

Secondly, the Macau Forum can work as a persuasion to Sao Tome and Principe to abandon its ties with Taiwan and set up linkages with the PRC. By showing how much each Lusophone country is benefiting from its relations with China, Beijing may seduce the “renegade” PSC. In the Second Ministerial Session, in 2006, member of Sao Tome and Principe government was invited as an observer: His presence was supposed to be unofficial and discrete, but it was indeed an important fact of this meeting and perhaps a signal of gradual change.

Third, Macau has a long History of relations with the other former Portuguese colonies. Macau was the first European port in Asia, in the 16th century. For over two centuries (before the foundation of Hong Kong), it was the hub of the Europe-Africa- South Asia-East Asia trade, the first harbor of globalization. In the 1950s and 1960s, aiming to boost Macau’s industrial sector, the Portuguese Administration promoted trade with African colonies. The local industrialists – mostly from the textile and garment sector - benefited from duty-free policies. As a consequence Angola and Mozambique, Africa’s most important Portuguese colonies, became a major destination for Macau’s exports. In the 1970s and 1980s Lusophone Africa lost its place as major trade partner of Macau, following the independence and subsequent civil wars. In addition, the

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56 Kurlantzick, op cit.
57 Deng, Yong op cit.
European Economic Community (EEC) became a more attractive market, as Macau profited from the Multi-Fibre Agreement. At a different level, during the last decade before the handover, Macau developed ties with other Lusophone cities, at a municipal level, through sister cities agreements and by taking part in UCCLA, an NGO registered with the United Nations, joining together the city governments or municipalities of former and current capital cities of Portuguese Speaking countries and territories.

After the retrocession of Macau, China looked at Macau’s features and the History and decided to explore the potential for developing economic relations in new fields and involving other actors with the PSC.

Fourth, as Macau was opening its gambling market to foreign investors (namely American casino corporations), and becoming the world’s top casino hub in terms of revenues, China wanted to give Macau an especial role within the People’s Republic of China, changing the SAR profile from a mere Gaming City into, on the one hand, a platform for the cooperation between China and the Portuguese Speaking countries and, on the other hand, a gateway to the Pearl River Delta. The Macau Forum gave Macau another international dimension besides being the top casino city in the world, or as it has been labelled repeatedly: Asia’s Las Vegas. The Forum also reinforced Macau’s distinctiveness. As stated by Moisés Silva Fernandes, “The Forum reinforces the autonomy and uniqueness of Macau vis-à-vis Guangdong and Hong Kong.”

This has been indeed an opportunity for Macau to develop and explore its para-diplomacy, in articulation with Beijing.

And what Macau has to offer as added value to the China-PSC relations? At first glance, the MSAR provides good reasons to fulfil the role of a services platform for the Sino-Lusophone economic and commercial relations.

First, Portuguese is the second official language – alongside with Chinese – as a consequence of what was agreed by Portugal and China in the Joint Declaration and what is inscribed in the Macau Basic Law. Although, Portuguese is only mastered by a tiny minority of the local population, it is still an important working language in the Public Administration, the legal system and in some public utility companies. All the official documents are translated into Portuguese. In addition, around 40 per cent of the civil servants have knowledge of Portuguese. Every year hundreds of Chinese from Macau and the mainland study Portuguese. They can be used as a pool of translators for Lusophone companies to make business with China and for Chinese entrepreneurs to enter the Portuguese speaking markets. In addition, in Macau there is a 6000 population of Macanese – of Portuguese-Asian mixed blood - , who normally are able to master both Chinese and Portuguese and can work as middle men and a bridge between different cultures.

Secondly, the juridical framework is based on the Portuguese legal system, which has similarities to the French and German codes. As most of the Lusophone countries share this background, Macau is portrayed as the ideal basis for Lusophone businessmen to use Macau as a gateway to

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China. These companies can use Macau as a platform to set up an office and outsource the local expertise to open the door to the Chinese mainland market. Macau’s economy has been increasingly integrated into the South China Region. This trend was deepened since 2004 with the Pan-Pearl River Delta Regional Cooperation process. Compromising the nine provinces of the Southern China - Guangdong, Fujian, Jiangxi, Hunan, Guangxi, Hainan, Sichuan, Guizhou, Yunnan – and the SARs (Macau and Hong Kong), this region is home to 460 million people and accounts for over more than 35% of China’s total economic output. In addition to this cooperation Forum, Macau also benefits from the CEPA-Mainland and Macao Closer Economic Partnership Arrangement, a Free Trade Agreement-like arrangement concluded between two separate customs territories of a single sovereign state. Macau-based companies benefit from different provisions included in the CEPA protocols, focused on promoting trade in good, trade in services and Trade and Investment Facilitation. Lusophone businessmen may also require the support of local public institutions, namely two: the Macau Trade and Investment Promotion institute (IPIM) and the Permanent Secretariat of the Forum. The former provides a business support centre with local staff and expertise in the Lusophone and Chinese markets. IPIM provides information and database for contacts between both parties. Every year, IPIM organizes in a Portuguese Speaking country a Meeting of Entrepreneurs for Economic and Trade Cooperation between China and the Portuguese Language Countries, gathering entrepreneurs, government agencies and experts from all the member nations of the Macau Forum. Since 2005, this Meeting was held in Luanda (Angola), Lisbon (Portugal), Maputo (Mozambique), Praia (Cape Verde) and Rio de Janeiro (Brazil). Interestingly, this year (2009), in addition to the delegations from Macau and mainland China, a group of entrepreneurs and members of the provincial government of Guangdong took part in the meeting. This indicates a new dynamic in China’s strategy. As Macau by itself has limited business opportunities – the local economy is too much dependent on the gaming-tourism-service sectors – the MSAR delegation was presented attached to neighboring Guangdong, China’s powerhouse and the most dynamic province of China.

In 2003 and 2006, the ministerial conferences, held in Macau, gathered trade and economy ministers from China and the PSC. In the conferences, they approved Action Plans to be put in practice for a period of three years. In 2003, the First Ministerial Conference agreed to strengthen the Sino-Lusophone economic cooperation, Intergovernmental cooperation, trade, investment and entrepreneurial cooperation, fish and agriculture, engineering and infrastructures building, natural resources, human resources. In 2006, new areas for cooperation were added: Financial sector (multilateral level), Macau Forum financial cooperation mechanism, tourism, transports, direct air and sea routes, pharmaceutics and cooperation against infectious diseases, science and technology, media cooperation, promote China’s image in the PSC and Lusophone countries; cultures in China, culture and people-to-people links.

The Permanent Secretariat is the institutional arm of the Macau Forum. The Secretariat is responsible for assuring the logistic and finance support for the multilateral initiatives.


The Secretariat structure is composed by a general-Secretary nominated by China (Ministry of Commerce), a deputy secretary-general designated by the PSC and a representative of each country. In parallel, the Macau government, through the Secretary for Economy and Finance, is responsible for a Support Office, which receives funds to promote activities related to the Macau Forum. The Secretariat has been involved in organizing investment and trade seminars, courses, supporting Portuguese Speaking business delegations in trade fairs and exhibitions in mainland China. The secretariat has also been supporting cultural activities in Macau to promote Lusophone culture.

In addition to trade and economic events, Macau has also been hosting other kind of activities, gathering China and the PSC in different sectors. Since 2003, the MSAR hosted conferences on the aviation industry, television broadcasting, central banks, and music and gastronomy festivals. Civil society has also been engaged in this process. Citizens from the different Lusophone countries that live and work in Macau created or re-activated associations to promote their countries’ culture in Macau and China. Also, in private sector, businessmen set up a Sino-Lusophone chamber of commerce – the Associação Comercial Internacional para os Mercados Lusófonos. (ACIML).

In practice, what has been the outcome of the Macau Forum? Trade between Macau and Lusophone countries has been increasing steadily, as shown in Figure 4. But its represents less than one per cent of the overall trade of Macau in 2008 (including the trade with mainland China).

**Figure 4. Macau-PSC trade (million $US)**

![Figure 4. Macau-PSC trade (million $US)](image)

*Source: Macau SAR Bureau of Statistics and Census*

It is not easy to single out the contribution of Macau in spurring the economic and commercial relations between china and the Portuguese Speaking countries. It is true that the Sino-Lusophone trade had a seven-fold increase since 2003 (see Figure 5, below), the year the Macau Forum was established. But what was the share of the Macau connections in this process? Directly, surely, very little. The lion share of the Sino-Lusophone trade is carried out by big
corporations, often Chinese state owned enterprises. The same happens with large scale investments, conducted on a state-to-state level.

There is very little information regarding the quantitative contribution of Macau. The only figure was unveiled by *Macau Business* magazine: since 2003 participants in the meeting organised by IPIM and the Secretariat signed investment and trade agreements totalling US$5 billion.

**Figure 5. China-PSC trade (billion $US)**

![Graph showing trade between China and PSC countries from 2002 to 2008](source: Ministry of Commerce of PRC)

Most of the agreements were import and export contracts “Companies from mainland China and Portuguese-speaking countries have signed contracts and agreements on the import and export of goods such as marble, wood, spices, wine, frozen meat, mineral water, electronic products and medicines. Deals have also been done on tourism services and the setting up of factories”\(^{62}\). Nevertheless, there are some concrete cases of Macau-based or Macau-linked companies that set up or increased their activities in China and several lusophone nations. The most notable is case is Geocapital Goldings. Since 2005 the partnership between Macau gambling tycoon Stanley Ho and Portuguese investor Jorge Ferro Ribeiro has been widening its web. Currently they have investments in all the PSC (except Sao Tome and Principe) Brazil, Mozambique, Angola and Guinea Bissau, Portugal, Macau, Cape Verde and East Timor. Being a Macau-based joint venture of a Portuguese investor and a Chinese (from Hong Kong and Macau) tycoon, Geocapital is the best example of what the Macau Forum intends to be. Geocapital is thus leading the way to put in practice the rhetoric of Macau as a platform between China and the Portuguese Speaking countries. Their strategy is, according to Ferro Ribeiro, to “work in the

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\(^{62}\) Matias, *op cit.*
heart of the economy of each country where it operates”, as “the financial and energetic resources are a crucial basis for all the economic activity”.

They started their activities in Mozambique through Moza Banco and Moza Capital, in partnership with Moçambique Capitais. These institutions work on project management and investment banking. In addition, Geocapital is also involved in Zambcorp, a company responsible to explore the business opportunities in the Zambeze Valley, a region in Mozambique very rich in natural resources.

In Angola, Geocapital carries out its business through Geopactum, a joint venture with Global Pactum, a joint venture with Sonangol’s Global Pactum. In Brazil, Geocapital invested in partnership with the Portuguese airline TAP to acquire the Brazilian aeronautics engineering and maintenance company VEM. In Guinea Bissau after taking over the country’s largest bank, Banco da África Ocidental, Stanley Ho and Ferro Ribeiro set up Geogolfo, a company that will work on the agro-industry business and on the production of biofuel.

In East Timor, the holding is plans to open a bank: Banco Timorense de Investimento, in a country also with attractive energy resources, namely liquefied natural gas and oil. In Cape Verde, they also have their foot in the banking sector after acquiring a position in Caixa Económica Postal, the country’s largest credit institution.

Portugal works, alongside with Macau, as basis and platform. In Portugal geocapital has investments in the biggest private bank – Millenium BCP – in EDP Energias de Portugal, the country’s major energy utility company and is helping to finance the developing a Research and development Center related to biofuel.

Geocapital is thus the only large scale example of a company created after the inception of the Macau Forum using Macau as a platform to businesses in all Portuguese Speaking countries, pooling the network of Ferro Ribeiro, an experienced investor in Portuguese Speaking countries - before the handover he has businesses in Macau involving Stanley Ho- and the most important entrepreneur in Macau, who has been a long time investor in Portugal. Without the Macau Forum, probably Geocapital could do its business anyway, but this mechanism gave a very attractive political environment for these activities. Indeed, some sources say Stanley Ho was main local driving force behind the establishment of the Macau Forum.

Other Macau entrepreneurs have been investing or pledging to invest in lusophone countries. John Lo recently unveiled a plan to invest 60 million patacas in building a hotel in Guinea Bissau, following previous agricultural investments since 2001 in that country and in 2006, David Chow announced plans to invest US$100 million to build a resort in Cape Verde, on the Islet of Santa Maria.

If Sino-Lusophone big business is carried out despite Macau, Small and Medium Enterprises can take advantage of the SAR and use it as a platform. In Macau they can find experts with knowledge of the mainland China market and the PSC opportunities and take advantage of friendly environment. There are a few examples of this phenomenon, but only very few. In fact, there is a gap between what is officially portrayed and the reality. Macau has the potential to be a useful and complementary role in this process, but there are not so many examples. Among smaller businessmen, who are eager to promote trade and investment within the triad PSC-Macau-Mainland China there is a feeling of dismay over the efforts of the local

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64 Based on personal interviews with entrepreneurs and officials in Macau.
Macau authorities have been keen on officially promoting the region’s role in the China-PSC, but the direct economic outcome of the rhetoric is questionable. Perhaps the fruits can be reaped later, as gradually Macau can be better prepared in terms of human resources, especially regarding bilingual pundits and high qualified young professional specialized in the Lusohone economies and culture. To accomplish that much more should be done in promoting this Lusophone connection not only overseas and in mainland China but also domestically. Despite the shortcomings, Macau has been promoting some people-to-people events that may have a positive impact in the future. The organization of the first edition of Jogos da Lusofonia (Lusophonia Games) was good example of a far-reaching initiative, bringing the civic society to this dynamic. Macau was not only host, but the main propeller of the Lusophonia Games. It has been the headquarters of the permanent secretariat of the Association of Portuguese Speaking Olympic Committees. Academic exchanges and PSC cultural festivals have also been sponsored by the local government.

For the moment, in terms of outcomes, the Macau Forum has been having more political than direct economic gains. But surely Macau could be keener on grasping this opportunity to enhance its international profile not only in the official discourse, but also in concrete terms. In addition to an overly timid attitude – typical of Macau when it comes to issues involving mainland China – there have been other factors hindering a greater development of the Macau Forum and of Macau as “de facto” platform. Currently, the institutional and organizational structure of the Forum is going through an assessment. China is analyzing what went wrong and how to make the Forum more effective. It also seems that Beijing has been waiting for the composition of the new Macau government led by former secretary for Social Affairs and Culture Fernando Chui Sai On to move ahead. The position of Secretary-General of the Permanent Secretariat has been vacant for one year, after the death of Zhao Chuang. Contrary to what was expected, the Third Ministerial Session is not going to be held in 2009. This has been sparking some scepticism and uncertainties amongst PSC officials. For now, it may be just a pause. 2010, will indicate whither should the Macau Forum go. Its institutional depth may continue shallow, but it is very likely that the Sino-Lusophone relations can be taken to a new level.

Meanwhile, China has been trying to drag Macau into a deeper economic and commercial relation with the PSC. A good example of this tendency was the three Lusophone nation tour (to Mozambique, Angola and Portugal) of China’s vice-minister of Commerce, Jiang Zengwei. In March 2009, he led a Chinese trade and economic delegation and for the first time Macau was invited to join a mainland China high ranking visit.

Concluding remarks

In assessing the structural aspects of the China-Macau-PSC relations, for sure this process has been a “win-win” game. But in relative terms, the Chinese and to some extend the Macanese authorities have been taking larger economic and political advantages. Figure 6 shows a Diagram

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65 Personal interview with Macau-based SMEs.
that aims to sum up the diplomatic and political dynamics of the China-PSC relations and the Macau Forum.

Figure 6. Macau-China-PSC relations Diagram

This matrix illustrates the intersection between China-PSC and Macau-PSC bilateral relations, the added value of a multilateral mechanism – the Macau Forum – and the international impact on the power projection and profile of Macau and China. Previously to this situation, China had been developing and deepening its own bilateral relations with each one of the PSC, in tandem with what was happening in the overall China-Africa relations and the linkages with Latin America. Macau – within China, but to some extend beyond mainland, because of its colonial past and special status – also had bilateral relations with those countries at a different level, as part of the former Portuguese Empire. This is projected to the multilateral mechanism, the Forum, which is not only the sum of these two previous realities, but itself a new impulse, with some value added. In addition to generate a common agenda for the Sino-Lusophone development, the
Macau Forum also creates a sort of regime\textsuperscript{67}. Not an international regime as it happens with large scale and more institutionalized, but a lightweight and flexible \textit{pararegime}, able to exhale effectively China’s soft power. Since 2003, there were no signals that China wants to put more diplomatic weight on the Macau Forum. As noted by Ana Cristina Alves, even though all the member countries sent to Macau a resident representative to be part of the Permanente Secretariat, “this Forum is not a traditional multilateral organization so much as an instrument of Chinese foreign policy”. Alves underscores that before the Ministerial Conferences, “trade and cooperation agreements within this Forum are reached on a bilateral basis and China negotiates with each country separately”\textsuperscript{68}.

Nevertheless, the significance of the Forum shall not be underestimated. As a former Portuguese Ambassador said, “a strike of diplomatic mastery”\textsuperscript{69}. This para-regime is not so much about what it is and what is done under the auspices of the Macau Forum, but more about what it represents. Despite the low level of institutionalization, by using a multilateral institutional mechanism and by bumping up the ideas of Sino-Lusophone win-win partnership and Macau as a Platform, China is instilling a looming narrative. Here, ideas and interests walk hand in hand. The ideational dimension crossed with the institutional encounters and the private sector and civil society meeting form an intersubjective dimension. This is an undergoing process not yet very clear. It may ignite both wider and stronger cooperation at all levels or lack of confidence, perceptions of China as treat or misunderstandings that may hinder the harmonious and ever-closer Sino-Lusophone relation. At the end of the day, everything is also about power. Mutual benefits in a “win win situation can bring a bolder power projection. China emerges in this process as reliable and responsible partner and paves the way for keener political support from these countries in the international system. Macau, as the host of the Forum, projects an external relations identity and is portrayed as an important complement to China’s strategy towards the PSC.

Simultaneously, this has been a kind of laboratory for the paradiplomacy activities of the MSAR in the context of the principle “One Country, Two Systems”. The Macau Forum is clearly under the first tier of Neves’ external relations framework (Figure 1), as it is an example of Policy Formulation: long term definition of objectives and priorities in articulation with China’s foreign policy. However, the fact is that this process is an endowment from the Chinese central government and not so much the outcome of a regional political and diplomatic strategy.

\textsuperscript{67} Here we use regime in the same vein as John Ruggie and Friedrich Kratochwil. They argue that regimes not only have regulatory purposes, but also have a constitutive dimension. See Kratowil, Friedrich V. & Ruggie, John G. (1986), “International Organization: A State of the Art on an Art of the State”, \textit{International Organization} 40 (1986): 764, 766.
