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URP GCOE DOCUMENT 10

Chinese Cities and the Outside World: A Workshop for City, Culture and Society

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Chinese Cities and the Outside World: A Workshop for City, Culture and Society

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URP GCOE DOCUMENT 10

Chinese Cities and the Outside World:

A Workshop for City, Culture and Society

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INTRODUCTION

Richard Croucher, Pingli Li and Hiroshi Okano

The papers presented here on the theme of China and the outside world have been produced primarily by Middlesex University's Business School in London and by invited scholars from outside that institution. They reflect both that School's cultural diversity and the international nature of London as a world city. The impetus for the publication, and support for it, came from our partners in Urban Research Plaza, Osaka City University.

The articles make contributions on economic, social and cultural aspects of their subject and embody economic, social, historical and cultural perspectives. Michael Brookes takes an international comparative view, examining export-led growth in the contrasting economies of South Africa and China, setting a significant context for those articles which follow on urban settings. Richard Croucher and Lilian Miles present their view of the position of the enormous number of internal migrant workers in China, a subject closely related to the wider issue of social exclusion in Chinese cities explored by Anne Daguerre and Elena Vacchelli. A third article in this trilogy dealing with migration and social exclusion in Chinese cities is provided by David Etherington. In a fascinating and detailed article on the historic evolution of relations between the Chinese authorities, local Chinese people and the Portuguese in Macao, Kai Cheong Fok explains the origins of the 'Macao Formula' which has long provided an effective framework for interaction between China and the outside world. Mark Houssart provides a very different but also interesting cultural perspective on the China's other key urban window to the outside world, Hong Kong, with an article on the *Infernal Affairs* film trilogy.

It is instructive to look back to the immediate post-Second World War years to locate these contributions, which very much reflect current concerns, with the public discussion of China and the outside world at that time. An initial concern in that period was with the stance foreigners should take towards the Chiang-Kai-Shek Nationalists, whom the USA wished to support more actively than their British counterparts. The two countries also disagreed on how far the new Chinese regime should be recognised as a legitimate government; Britain tried in 1950 to have the new government seated at the United Nations, a policy opposed by the USA. The issue aroused huge controversy in both Western countries, and was regarded as of the highest importance. Sharp differences between Britain and the USA also arose over Formosa, with Britain anxious to avoid a Nationalist return to the mainland. Both countries were united in their wish to have China end its involvement in the Korean War. Yet they were also aware that Western public opinion viewed the new Chinese government as likely to bring stability after a long period of foreign pillage and destruction that had brought death, disease, poverty and humiliation to a massive number of people.

Simply recalling these past debates reminds us of the distance travelled. A more peaceful international environment, and a recognition by all foreigners that China is a major emerging economic power are now both obvious, but are perhaps less so on a longer term view. There was nothing inevitable in the progress made across the decades. We have to re-

call that in a wider perspective these realities should be celebrated. This collection of essays does so.

EDITORS

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Richard is Professor of Comparative Employment Relations and currently Associate Dean (Research) at Middlesex University Business School in London; previously Senior Research Fellow at Cranfield University. He served as External Examiner at the University of Oxford, 2000-2004. His research interests span employee voice, training and the work of Global Union Federations. He has conducted research funded by the ESRC, the Anglo-German Foundation for the Study of Industrial Society, the Leverhulme Trust, the Nuffield Foundation, the Low Pay Commission, the Department of Trade and Industry and others. He was recently awarded an ESRC research seminar series grant for a series of seminars on global labour issues. His most recent articles appeared in *Journal of Contemporary Asia*, *Industrial Relations: A Journal of Economy and Society* and *Cambridge Journal of Economics*. His most recent book (with Elizabeth Cotton) is *Global Unions, Global Business* (2009), available from Libri Publishing (www.libripublishing.co.uk).

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CONTRIBUTORS

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1. EXPORT-LED GROWTH IN CHINA AND SOUTH AFRICA: TWO DISTINCT JOURNEYS

Michael Brookes

Abstract

Although South Africa and China are very distinct from one another in terms of their culture, history and politics they do share certain commonalities in more recent decades. For differing reasons both have gone through a major transition where the economy has shifted from a largely closed one to one seeking significant export-led growth. In each case the evidence suggests that this has been done at the expense of increasing levels of income inequality, with both countries experiencing wider levels of disparity between their urban and rural populations.

To a large extent this is where the similarities end since they have both pursued their export-led growth on the back of very different policy approaches. South Africa has pursued a very clear neo-liberal influenced macroeconomic policy seeking to promote their export competitiveness, whilst China has pursued a more hands on approach seeking to make strategic interventions where necessary.

This paper undertakes a comprehensive review of the available evidence relating to export-led growth and its impact upon income inequality in both countries. Highlighting particularly how the different approaches have supported or restricted the extent of growth in that country. The review reveals that in both cases rural-urban migration plays a very important role in reducing the extent of inequality, but for very different reasons. In China, where there have been large increases in demand for labour, large scale migration has prevented too much excess demand for labour being present. However in South Africa, where demand for lower skilled labour has fallen significantly, it is restricted migration that has reduced inequality growth.

Export-led Growth in China and South Africa: Two Distinct Journeys

By choosing China and South Africa as the countries of comparison in this paper some very significant conclusions can be reached. At the current time the global economy is still in the depths of the biggest economic crisis for over 70 years. Although the prospect of depression may be fading it is unlikely that most economies will experience strong economic growth at anytime for the foreseeable future. The current crisis has led many to question the relative dominance of neo-liberal thinking and policies that have been the basis of international economic affairs since the late 1970's. Furthermore it has strengthened the voices of those who were criticising the impact of neo-liberal macroeconomic and trade policies as well as the advance of globalisation even before the onset of the current crisis. The basis of that criticism from these opponents of neo-liberal economic policy and globalisation is that the configuration of price stability, through fiscal and monetary austerity, combined with the drive for labour market flexibility ensures that workers are unlikely to share in the benefits of rising productivity, hence inequality is likely to increase. Both of these targets, i.e. price stability and labour market flexibility are central tenets of neo-liberal macroeconomic policy, in fact in many cases they are ba-

sic conditions that countries need to address and satisfy before they can qualify for funds from bodies such as the World Bank and the IMF.

For critics of this type of policy approach it is virtually a tautology that pursuing export-led growth within a neo-liberal framework will lead to increasing inequality. This is the major reason why these two countries are the ideal selection for comparisons of different policy approaches to export-led growth. On the one hand South Africa has very much followed the Washington consensus in terms of their macroeconomic policy whilst the Chinese approach has largely flown in the face of that perceived wisdom. Ever since the ANC government adopted Growth, Employment and Reconstruction (GEAR) in 1996 as the basis underpinning of its macroeconomic policy the South African economy has almost slavishly pursued the objectives dictated by neo-liberal economic thought. In comparison the Chinese have strongly resisted any external attempts to influence or affect their macroeconomic and trade related policies.

Since its economic reform and open door policy in 1978 China's economy has been growing at a rate that has rarely been matched for a sustained period either throughout the world or throughout history. For the first 25 years since reform China's average annual growth rate was 8%, (Chow 2003), and the rate of growth since then has only slowed marginally. This rapid Chinese economic growth has largely been caused by two complementary factors, these being the surplus of agricultural labour combined with the massive inflow of foreign direct investment (FDI). The process being that the FDI has created the jobs and the redeployment of surplus agricultural labour fills these posts.

In short the rapid economic expansion in China has been driven by a large scale application of the classic Lewis model of economic development, Lewis (1954). Where there exists an agricultural sector with very low labour productivity, in fact the marginal productivity of labour is virtually zero, combined with a far more vibrant manufacturing sector where there are far more opportunities for growth and the marginal productivity of labour is much higher. If the economy can facilitate the transfer of labour from the relatively unproductive agricultural sector into manufacturing, agricultural output is largely unaffected but manufacturing output can increase significantly and the economy is likely to experience strong economic growth.

The extent to which China has pursued this policy is somewhat dizzying and their urbanisation rate has increased from 18% in 1978 to 45% in 2007, (Zhang 2009, Zhao & Liu 2010). Implying that by 2007 something in the region of 3 – 400 million people, about the equivalent of the population of the USA, were living in urban conurbations when they would previously have been living in rural areas. This has had a similar impact upon the sectoral employment rates with the share of employment in the agricultural sector falling from 71% to 50% between 1978 and 1995, (World Bank 1997), and continuing to fall at a similar rate subsequently. Not surprisingly this massive migration of labour has had a significant impact upon the Chinese economy, as mentioned previously economic growth has averaged around 8% per annum for the last 30 or so years, even more significant is that the average annual growth rate for exports has been in

double digits over the same period. Clearly this level of expansion, both in terms of economic growth and increasing exports, coupled with the very high rates of migration are likely to have had an impact upon inequality. Indeed there has been a significant increase in the level of inequality over the period, by most measures the level of inequality has risen consistently over the post-1978 period with the Gini coefficient reaching 0.469 in 2007 and the ratio of average urban incomes to average rural incomes reaching 3.28, (Song 2009). To a certain extent it is not surprising that inequality has been on the rise in China. Export-led growth will always force the economy to restructure as resources are shifted away from declining sectors into expanding ones and the related impacts upon labour demand in each sector is likely to fuel growing income inequality. Consequently, although inequality has increased within the Chinese economy, the incredibly high levels of labour migration have probably acted to keep the lid on rising inequality to a certain extent. In short if the Chinese economy had not been able to respond to rising export demand and economic growth by enabling the mass migration of labour to urban areas the level of inequality would have been considerably higher.

What is now a much greater issue for the Chinese is whether they will be able to continue to expand at the same rate and, if so, can they prevent the level of inequality reaching more unacceptable levels. Zhang (2009) argues that to prevent unemployment rising to levels likely to lead to serious social unrest the Chinese economy needs to continue to grow at an annual average rate of 8% for the next 30 years. This will entail urbanisation rates rising to 80% by the end of this period or the equivalent of a further 4 or 500 million people migrating to urban locations. Achieving this outcome would require levels of migration absolutely off the scale by historical standards with well in excess of half a billion people undertaking rural-urban migration in little over half a century. Even though the Chinese economy has managed to achieve roughly half of that in the first 30 years since economic reform, it is perfectly plausible to question whether they can continue to support this high level of migration. Zhang (2009) argues that the continued policy of Urban Management, which is the government planning to increase and improve the level of infrastructure enabling the urbanisation rate to rise, will be sufficient to deliver the continued high rates of migration. Without delving into the environmental and scarce resource depletion issues the sheer size of the undertaking is sufficient to question whether it will be achievable.

Furthermore, even if the infrastructure is in place, it will still require large numbers of people willing to relocate from rural to urban areas and indicators of a possible decline are already visible. Song (2009) has identified that since 2000 the urban poor population has steadily risen and the urban poor is increasingly becoming the newly laid off and newly migrated rural workers. Hence faced with a lower likely benefit as a result of migration the stream of willing migrants may start to decline.

In addition the whole process of migration leading to export-led growth has been driven by the Chinese economy being able to attract massive levels of FDI to create the jobs in the first

place. In the current economic climate with increased uncertainty, restricted access to credit as well as lower levels of economic growth, it is perfectly possible that the level of FDI generally and for China specifically is likely to be lower in the next decade than it has been in the most recent ones.

Therefore if the Chinese economy fails in any one of these three areas; developing sufficient infrastructure to cope with continued large scale migration, maintaining a large stream of willing rural-urban migrants and continuing to attract high levels of FDI, the level of inequality is likely to rise at a faster rate. The first two would raise inequality as labour shortages in the manufacturing sector would lead to strong wage rises in that sector, whilst the latter would increase inequality as a result of rising unemployment.

Turning to the situation in South Africa, not surprisingly the performance in terms of growth, migration and inequality is significantly different. As mentioned earlier the South African approach to export-led growth has very much been on the back of policies seeking to increase international competitiveness through low inflation, more labour market flexibility and high productivity. In the democratic era growth was relatively slow initially, 2-3% in the 1990's but increasing to an average of 4.2% between 2000 and 2008. Obviously this is not particularly impressive when held up against the Chinese performance, but the growth in China must be viewed as atypical and South Africa generally fares reasonably well in comparison to most economies of a similar size. In terms of rural-urban migration, clearly South Africa is unlikely to match the massive movements witnessed in China, but there has been significant migration, with Boraine et al (2006) putting urban population growth rates at 4.4% per annum in the democratic era, this being much faster than the growth of the overall population. The picture is mixed when analysing changes to income inequality, Crankshaw and Parnell (2004) indicate that inter-racial inequality is being eroded, which given the unequal balance of society under the previous regime is obviously a positive. However they also report large increases in intra-racial inequality as well as widening inequality generally.

A number of factors have been present leading to these increases in the level of inequality. Firstly trade liberalisation has negatively affected employment in South Africa. Nattrass (1998), Bhorat (1999) and Birdi et al (2001) all identify that there was a large decrease in manufacturing sector employment in the initial democratic years. During the period of isolation many industries in the manufacturing sector were shielded from foreign competition as a result of the various trade embargoes. Unfortunately once the new regime came in and trade with South Africa expanded many of these industries proved inefficient and uncompetitive against foreign firms and jobs were quickly shed. With the resultant increase in unemployment raising the level of inequality. This process has continued as South African manufacturers have struggled in export markets largely because labour costs are too high (Edwards and Golub 2004). Labour friendly employment legislation in the post-apartheid era combined with relatively low levels of flexibility being the major causes, (Rankin 2005). As a result lower wages and/or greater productivity are

required to increase the level of exports.

The irony in this is that at a time when the ANC government has tried to promote export-led growth through adopting neo-liberal policies at the macroeconomic level, it has hamstrung the effectiveness of its own policies by adopting an interventionist approach at the labour market level. Trying to promote export growth but at the same time enacting strong employment protection and generous minimum wage legislation, (Rankin 2005), is a poor policy mix that has not served the South African economy well. The upshot being that South African manufacturers find it difficult to compete in international markets where there is a significant requirement for unskilled and semi-skilled labour and as a result demand for these types of labour has reduced greatly. This has been compounded by greater capitalisation and adoption of technology in the export orientated manufacturing sector, (Edwards 2001, Rodrik 2006). Unable to compete in export markets using lower skilled labour has forced firms to invest more heavily in capital and technology as a means to compete. The result being that demand for unskilled and semi-skilled labour has fallen whilst it has risen for skilled labour, with this leading to even greater inequality. The overall implication being that the poor mix of policies at the macro and labour market levels has led to a collapse in demand for lower skilled workers in the manufacturing sector. With these jobs presumably being lost forever to foreign competitors, since adopting more flexible labour market policies at this stage would be too little too late and would not be sufficient to recapture them.

What, however, has been the effect of rural-urban migration upon the level of inequality? It has already been mentioned that urban population growth outstrips the growth of the overall population. However, Gelderblom (2007) points out that rural-urban migration rates have actually remained relatively low in South Africa. Clearly in the apartheid era migration was largely impossible for the non-white population, but even after the restrictions were lifted in the 1980's rural-urban migration rates have still remained significantly below those in the rest of sub-Saharan Africa. The reasons for this being that the rural poor are constrained their migration by the costs that are likely to be incurred as well as the high probability of the migration being an economic failure, (Gelderblom 2007). Therefore the level of migration is relatively low in South Africa since, unlike China, the infrastructure to support the movement of the population from rural to urban locations is not in place.

However in terms of its impact upon inequality limited migration has actually reduced the gap between rich and poor in the urban areas at least. If there were significantly higher levels of migration this would increase the supply of lower skilled labour, with these being precisely the jobs that have been lost to foreign competitors in the manufacturing sector. The overall impact being that unemployment will rise, or possibly, in the informal sector where labour market regulations are difficult to impose, there would be downward pressure on wages, both of which are likely to increase inequality.

In conclusion, this paper has made comparisons between South Africa and China who, In

conclusion, this paper has made comparisons between South Africa and China who, with varying success, have both pursued policies of export-led growth. In both cases there has been an increase in the level of inequality but, again in both cases, the extent of rural-urban migration has had a moderating effect upon inequality growth, i.e. it could have been worse. China has seen incredible levels of export growth with hundreds of millions of jobs being created. This has supported a sustained period of exceptional growth where relatively unproductive rural labour has shifted to the more productive manufacturing sector. With export growth at this level over such a long period it is unrealistic to expect that it would have zero impact upon inequality, but China's up to now almost limitless ability to fill the new jobs created from surplus rural labour has certainly limited the rate of increase in inequality. However, once China starts to find it more difficult to support the rural-urban migration, or else its attractiveness as an FDI destination diminishes, the extent of inequality is likely to grow.

The situation is different in South Africa in that its pursuit of export-led growth has been less successful, although virtually all countries across history would perform poorly given the same comparison. However the ANC government has to a certain extent been culpable in that its poor match of policies at the macroeconomic and labour market levels has restricted the extent of export-led growth, it has also led to a very large reduction in the demand for semi-skilled and unskilled labour. This has led to a strong increase in the level of inequality, however the relatively low level of rural-urban migration has limited that rise in inequality. If more workers relocated from rural to urban areas they would be arriving in areas where there is already a large surplus of semi-skilled and unskilled labour and as a result the level of inequality would further widen.

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2. MIGRANT WORKERS IN CHINA: SOCIAL EXCLUSION, PROTECTION AND REPRESENTATION

Richard Croucher and Lilian Miles

Abstract

This paper highlights the 'social exclusion' experienced by migrant workers in China and demonstrates the threat to social stability caused by their discontent and frustration. It shows that the Chinese state, in responding to migrant worker unrest, has adopted a three-pronged policy. It has improved the legal rights of migrant workers, encouraged the official unions to help give effect to these rights and allowed NGOs to offer certain services. Yet these initiatives have taken place within strict political confines and their capacity to protect the interests of migrant workers is consequently limited.

Introduction

China has experienced rapid growth and expansion since the late 1970s when economic reforms were instituted. The state-driven process of economic growth promised hope and a new future to the masses. Rapid urbanisation and pro-industrialisation policies led to a huge demand for labour, prompting millions of peasants to move to urban areas in search of work to build a brighter future. This resulted in a large population of temporary rural migrants in cities. Social disruption has been massive and migrant workers today number in excess of 200 million (Chinese National Statistics Bureau 2009). Migration from villages to large cities such as Beijing, Shanghai, Guangdong and Shenzhen has enabled economic growth to expand very rapidly (Liu, 2007: 78-81). But migrant workers faced discrimination and unequal treatment in employment, housing, social security and wages, putting them in a vulnerable situation, despite their significant contribution to urbanisation and economic growth (Liu, 2007). Their plight has received considerable attention in the literature and media in recent years, prompting the introduction of a range of policies to ameliorate their concerns.

This paper illustrates the attempts by the Chinese state to allay migrant worker unrest by improving their rights (Perry, 2001; Lei, 2005; Chan, 2006, 2008; Unger & Chan, 2008). In the main, these take the form of legal reform, but the state has also encouraged unions to undertake a more positive role in safeguarding their rights. In addition, it has permitted a degree of external (albeit very limited) competition from NGOs across several of the unions' functions. The question is the extent to which these initiatives have proved sufficient in meeting the needs of migrant workers and facilitating their integration into the mainstream working class.

The discussion will proceed as follows. First, the position of migrant workers as a distinctive segment of the working class will be discussed. Next, the ways in which the Chinese state has legislated to improve their treatment and encouraged the official unions to take a more representational role in relation to them will be considered. The role played by NGOs in providing a range of services to migrant workers will then be examined. Finally, the significance of current developments will be discussed.

Migrant Workers in China: Undue Hardship

Migrant workers in China have suffered from profound and particular problems, making them a super-exploited segment of the working class. They were long not considered part of the proletariat by the Chinese Communist Party, but were rather defined by their peasant origins. The 'hukou' registration system (initially implemented to limit mass migration from rural to urban areas in order to ensure structural stability, as well as adequate supplies of low cost labour to state owned businesses) officially identified a person as a resident of a particular area and contained information such as his or her name, date of birth and the names of family members. Neither individuals nor families can move outside their localities without first obtaining permission from the authorities. The number of people allowed to do so was tightly regulated; those who moved without permission lost their entitlement to food rations, housing or medical care and could be forcibly removed. Workers migrating from rural areas thus could not transfer their residence status when they move, preventing them from integrating into urban life. Their citizenship status was thereby undermined – despite living in cities, they were not entitled to urban citizenship, the right to settle, nor regular jobs or social benefits such as subsidised housing, pension or healthcare.¹

This registration system has remained largely intact although migrant workers can now, subject to certain criteria, apply for permanent or temporary residency status in the cities (China Labour Bulletin, 2008a). The legitimacy of their presence in cities remains contested, cutting them off from the rights enjoyed by urban workers and weakening them greatly in the employment relationship (Florence, 2006). Their outsider status under the hukou system made it difficult for them to integrate into their adopted cities, being represented neither in the urban or rural political systems. Ironically, despite this, the state not established channels through which they can exercise 'voice', leaving them to struggle by themselves, socially excluded yet possessing little power over their own destinies (Li, 2005: 57). Many are illiterate in terms of their ability to understand written documents. Even if aware of their rights, they are reluctant to claim them because they are liable to be dismissed by their employers and replaced from the abundant supply of other workers seeking jobs.

Suffering from low status and often with only limited skills, many migrant workers are employed in poorly paid, labour intensive jobs such as construction and low-skilled manufacturing. They frequently work without employment contracts and do not enjoy even the formal protection offered by these (rest periods, sickness benefits, maternity rights and rights against unfair dismissal). They experience exceptionally high rates of occupational diseases and workplace injuries, particularly in its notoriously dangerous coal mining industry (China Labour Bulletin 2008b). Migrant workers also suffer disproportionately from poor physical health, stress and depression (Liu, 2007; Wong & Song, 2008). In leaving their hometowns and families behind, many migrant workers lose their social capital and feel a sense of loss. Their access to state aid such as medical and healthcare facilities, and social security, is extremely limited.

¹ The hukou system has been the subject of considerable debate, concerning its continuing viability under current circumstances. See e.g. Liu, Z.Q. (2005) "Institution and Inequality: The Hukou System in China" *Journal of Comparative Economics*, 33, 1, pp. 133 – 157, Wang, F.L. (2007) "Reformed Migration Control and New Targeted People: China's Hukou System in the 2000s," *The China Quarterly*, 177, pp.115 – 132 and Wang, F.L. (2005)

Employers frequently delay the payment of wages to them (Zhu, 2004:1018). Many local state authorities require them to pay a range of supplementary taxes (as a means of increasing income and generating profit) – city improvement fees, labour adjustment fees, fees for issuing temporary residence cards, employment cards, work permits and fees to enable their children to attend schools in urban areas. They also often ignore the way such workers are treated, more intent on securing the cooperation of employers from whom they derive revenue (Li, 2005; Zhu, 2004; Zhang, 2008). Last but not least, female migrant workers pay a higher price than their male counterparts. They encounter more safety issues (rape, theft, human trafficking and prostitution), decreased prospects of marriage and are disproportionately concentrated in low paying jobs (Liu, 2007). In short, migrant workers are a group exhibiting serious and very specific problems.

The separateness of migrant workers is further underscored by their exclusion from union membership, traditionally limited to urban workers. Employers discourage them from developing a collective identity (Human Rights Watch, 2008). Consequently, they have had no legitimate channel through which to express their discontent, other than individual resistance, strikes and public protest actions. With the right to strike prohibited under the law, migrant workers have resorted to violence, threatening social and political stability (Li, 2005; Gu, Zheng & Yi, 2007). They employ a range of methods ranging from sit-ins, to wildcat strikes, pickets and rioting (Shen, 2008). ‘Mass incidents’ involving migrants occur daily, although many are unreported in the media. The official number of strikes rose to almost 100, 000 in 2005, of which an unknown but probably large number involved migrant workers. The media continues to report incidents of strikes and protests by migrant workers and indeed, they have been closely identified with social unrest (Pun, Chan & Chan, 2010).

In recent years, the state, alarmed by high levels of social disturbance, promised several initiatives to ameliorate the concerns of migrant workers. Since ascending to their leadership positions in 2003, President Hu Jin-tao and Premier Wen Jia-bao emphasised ‘harmony’ and ‘stability’ in society, prioritising their importance even over the pursuit of economic growth and efficiency. They expressed considerable concern about China’s social stability and stressed the importance of balancing its development. In resolving to extend to migrant workers employment rights and social protection, they hoped to reduce the gap between their experience and that of other workers and consequently, their specific sense of grievance and collective identity as excluded workers (Wu, 2006). We now discuss the specific measures taken by the state to safeguard migrants.

Protection Under the Law

The legal regulation of the employment relationship is a relatively recent phenomenon in China, introduced only after the changes in the labour market. The Labour Law 1994 was the first comprehensive statute to stipulate minimum employment standards and working condi-

tions. However, it was drafted in a broad brush way, without detailed clarification of its various provisions, and therefore offered employers great discretion in the way it was implemented. The Act also did not recognise migrant workers as workers and conferred no rights upon them, causing them to be exploited and violated (Wang, 2008: 207, Ngok, 2008: 51-57). The most recent and most significant piece of legislation, the Labour Contract Law 2007, required more stringent regulation of the employment relationship. It established stricter guidelines for employment practices and shifted the balance of power away from employers to workers. Compared to the 1994 Act, it is more comprehensive in its coverage of the employment relationship. It also strengthened the role of unions and prescribed harsher penalties for employers who failed to comply with its provisions. The government had moved quickly to finalise the Act following the public outcry in June 2007 over slave labour conditions in the brick industry in the Shanxi province where rural migrant workers were kidnapped, sold to brick factories and forced to work long hours with no pay. Subsequent investigations revealed that more than 2,000 brick kilns were operating without licenses and had “illegally” employed 53,000 workers. The case was regarded as a symbol of a lack of workers’ rights in China.² The *Employment Promotion Law 2007*, which also came into force in January 2008, prohibited, for the first time, discriminatory practices against migrant workers by requiring those seeking employment in cities to be given the same rights as those of urban workers (Article 31). Last but not least, the Labour Disputes Arbitration Law 2007, (effective 1 May 2008)³ was updated to deal with the increasing number of labour disputes which have emerged in recent years. The Act waived arbitration fees and extended the time limit for workers to bring their claims to arbitration. Since 1991, the number of cases submitted to arbitration has increased at a rate of 28.2% annually (from 7,600 cases in 1991 to 317,000 in 2006). Indeed, it has been reported that since the 2007 Employment Contract Law came into effect, the number of cases submitted for arbitration has increased even more.⁴

Notwithstanding these developments, the weak enforcement of laws in China continues to allow the exploitation of migrant workers. Two reasons for the weak enforcement of law may be given. First, the distinction between ‘policy’ and ‘law’ is conceptually problematic in China. Previously, under an interventionist state, few laws existed. It was more usual to rely on administrative orders, decrees, rules and notices enacted by the NPC, State Council and other governmental agencies. Although latterly many labour regulations have been enacted, they are still very much considered as ‘policy’ rather than ‘law’ – they take the form of directives from the state and are of an administrative, rather than legal, nature. As they were often drafted in a broad brush and propagandistic manner, they lacked the detail and clarity needed to guarantee their enforcement. They were also enforced by local governments rather than the courts and only when conditions for law making matured, were labour regulations converted into ‘law’ (Ngok, 2008: 49). Thus China’s ‘...written law is [only] slowly coming abreast of that in developed countries...’ (Josephs, 2008: 377). Secondly, fundamental weaknesses exist in the enforcement of the law. Cooney (2007) discusses this in detail, pointing out that laws are often

Organising Through Division and Exclusion: China’s Hukou System, Stanford California: Stanford University Press.

2 C Divjak, “China enacts new labour law amid rising discontent” at <<http://www.wsws.org/articles/2008/feb2008/clab-f06.shtml>> .

3 The Act can be viewed at <http://tradeinservices.mofcom.gov.cn/en/b/2007-12-29/27880.shtml> .

4 See China Labour Bulletin Research Report, *Help or Hindrance to Workers: China’s Institutions for Public Redress*, April 2008, at http://www.clb.org.hk/en/files/share/File/research_reports/Help_or_Hindrance.pdf . See also “China: Some Steps Forward, But Trade related worker exploitation persists” International Trade Union Confederation, 21 May 2008 at <http://www.ituc-csi.org/spip.php?page=recherche&recherche=china&x=0&y=0> .

ignored by the very persons responsible for implementing them – i.e. local state authorities, which are more interested in generating income from employers and which are reluctant to antagonise them. Evidence suggests that central government regulations are being implemented by local government in a way which maintains rather than reduces the discrimination suffered by migrant workers, in order to restrict their movements into large cities (Davies & Ramia, 2008). Collusion between state officials and employers further weaken the potential of the law to protect workers (Gallagher, 2004: 23). Official inspections by authorities remain sporadic and superficial because of a shortage of inspectors. The range of penalties is also very limited – local labour authorities can only issue warnings, correction notices, fines and compensation orders. Indeed, many employers have attempted to circumvent their legal obligations. Huawei Technologies, China's largest telecommunication equipment manufacturer, asked 7,000 workers with more than eight years of service to resign and accept re-employment as 'new' staff in order to convert 'long-term contracted' staff to 'short-term contracted' staff – taking itself out of the reach of the new laws. Businesses have abandoned factories in order to avoid paying wages, and have relocated to other south east Asian countries where labour contracts are regulated less strictly. Smaller companies, unable to bear the costs of compliance, have simply made workers redundant (Lan, 2009: 512 – 513). Moreover, much needed social security programs (unemployment benefit and insurance) had never been put in place. In summary, even with the introduction of pro-migrant laws, migrant workers continue to be denied basic social and political rights (Pun, Chan & Chan, 2010: 145).

The ACFTU as Guardian of Migrant Worker Rights

The All China Federation of Trade Unions (ACFTU) is the only recognised union in China. The formation of independent unions is strictly prohibited⁵ and attempts by workers to form independent unions have been suppressed (ITUC, 2007). Though there have been sporadic attempts by union activists themselves to assert the ACFTU's independence from the state, these have either lost momentum or failed (Chan, 2006: 277). The ACFTU is not recognised as independent by the international trade union movement (Croucher & Cotton, 2009). Protection of workers' rights is regarded by the state as subordinate to the overall goals of social and political stability; the unions are 'transmission belts' for the Communist Party's ideas. Under classic communist rule, trade unions had several functions; mobilising workers for labour production, administering welfare, organising recreation and acting as political advocates within the official apparatus. Since it views itself as an extension of the state, the ACFTU avoids adversarial stances in dealing with employers, preferring instead to build 'harmony'. In many instances, union officials in enterprises are appointed by the employer, rather than democratically elected by workers. That trade unions need a through overhaul of their nature, structure and functions in order to meet the demands of workers is argued succinctly by Zhu (2004) and Chan (2006, 2008).

Making significant changes in structures, functions and ways of working has been notoriously difficult for unions in most countries, focused as they are on reacting to initiatives by employers and the state rather than on more pro-active approaches (Croucher, 2000). In China, two additional factors militate against the possibility of unions fulfilling even the legal functions specified in legislation, that is, political control by party officials and the continued close relationship between local authorities and enterprises. Local government has been criticised as bureaucratic, ineffectual and elitist, preferring urban to migrant workers (Zhu, 2004; Taylor & Li, 2008). Change is further hampered by the lack of experience and expertise of union officials themselves in representing workers, management domination of unions and the low levels of awareness among workers of the possible functions of workplace unions (Gallagher, 2004: 26–35).

In placating growing worker unrest, the state has enacted legislation to induce the ACFTU to extend its activities. The Labour Contract Law 2007 envisaged a more ‘progressive’ role for the ACFTU, requiring it to conclude and police contracts with the employer (Article 6), giving it consultation rights on redundancy and rights to make legal challenges to changes to contracts made by the employer (Articles 41&43) and providing worker representatives with the right to conclude collective contracts (Article 51). A degree of collective involvement by workers themselves is also envisaged here since the draft of the collective contract is to be presented to a meeting of workers. Further, Article 56 encourages increased collective bargaining on distributive issues, providing that unions must oversee the collective and individual rights of workers through legal channels. Article 78 obliges the union to ‘assist’ workers when they apply for arbitration or commence legal action against employers. Overall, the Act has pushed the ACFTU towards a more active defence of workers’ interests and allows for a degree of worker involvement. It has also attempted to move the ACFTU to support workers bringing individual arbitration and legal cases.

Another important development has been recruitment of migrant workers into the ACFTU. Migrant workers were historically excluded from union membership, since they were not urban workers. The State Council’s ‘Circular on the Improvement of the Services and Management of Migrant Workers 2003’ represented an historic step because for the first time, migrant workers became eligible to join the ACFTU. In 2003, the ACFTU started to bring them into the union’s purview for the first time, in response to the legislation. While the process of bringing them into membership is not a classical western ‘organising’ one, but one which normally involves obtaining management agreement, it remains a symbolic step forward since it publicly demonstrates that they are now, for the first time, recognised as members of China’s working class.⁶ By early 2008, according to official figures, some 66 million migrant workers had been brought into the union.⁷ In addition, again in response to policy, the ACFTU has recognised ‘neighbourhood or community unions’ within its structures— allowing migrant workers in small enterprises in the same neighbourhood to be brought into the union. This measure has cre-

5 Article 10 of the Trade Union Law 2001

6 China Daily (2003) “Union accepts migrant workers” (3 September 2003) <http://www.chinadaily.com.cn/en/doc/2003-09/03/content_260707.htm> (accessed 1 October 2008)

7 Trade Unions to Target Migrant Workers, CHINA DAILY, July 2, 2007, <http://www.china.org.cn/english/China/198600.htm>; More than 66 Million Migrant Workers Join Trade Unions, XINHUA NEWS AGENCY, Oct. 14, 2008, at <http://en.chinagate.cn/news/2008-10/14/content_16611431.htm>.

ated a more inclusive basis for membership since it allows workers even in small workplaces to be represented. Even so, the historic exclusion of migrant workers from ACFTU membership meant that they had no experience or tradition of extracting benefits from it (Cooney, 2007: 681 – 682).

The ACFTU recently also announced that it would pursue ten measures to ensure migrant workers' legal rights (2006). These included helping local state authorities promote the use of labour contracts, working to establish a prompt payment system in the construction industry, strengthening occupational health and safety education among migrant workers and providing them with free legal assistance and other benefits. Yet this role remains seriously underdeveloped from the perspective of migrant workers (Nichols & Zhao, 2010) and it has been reported that only 4.2% of migrant workers would approach the ACFTU if they had a problem (Zheng, 2007).

The wider reality for Chinese workers' representation remains one of ACFTU ineffectiveness. It is argued by the Hong Kong based China Labour Bulletin that the ACFTU remains '*...essentially a charitable organisation, providing assistance only after workers' rights have been violated*', and that it is '*...reactive rather than proactive; it only reacts within the bounds prescribed by the government, and only when the government instructs it to do so. The ACFTU is stuck in a rut, overly dependent on the Party and government, and cut off from the workers it is supposed to represent...*' (China Labour Bulletin, 2009: 33). Consequently, the ACFTU, it has been suggested, may only '*play a minor role in helping to soften the blow for workers, exactly the role the State wants it to play in a period of radical economic reform*' (Chan, 2007: 285). Whether the ACFTU will change is a question which is becoming more pertinent. With China's accession to the World Trade Organisation and its signature of various ILO conventions, this question will remain significant. Labour issues will constitute part of China's international trade and political relations and no longer simply be regarded as domestic issues (Zhu & Warner, 2005: 359).

NGOs and Migrant Workers

Over the last fifteen years, large numbers of migrant worker NGOs have emerged, many founded by migrant workers themselves (Chan, 2006).

Zhang (2008) suggests that an attitude developed among migrant workers that they must become self-reliant, because neither trade unions nor the state would help them. Thus they have developed a collective self-consciousness and awareness of the need to act on their own behalf that reflects their specific situation. In the Pearl River Delta, for example, it has been estimated that there are over 500 'citizens' advocates' or 'barefoot lawyers', themselves migrant workers, who represent their fellows in disputes with employers (China Labour Bulletin 2008c). This tendency has been important background to the development of NGOs, part of a wider civil rights movement to protect the rights of the exploited (Edele, 2005; Liu, 2006; Beja, 2006). Links with global NGOs have generated valuable resources and opportunities, provid-

ing a further impetus for their growth (Huang & Guo, 2006).

The World Bank (2009) estimates the number of NGOs in China to be 1 million. The term covers a wide range of organisations – from government-operated non governmental organisations (GONGOs) to non governmental organisations (NGOs) which do not enjoy state financial support (Wang & Liu, 2009: 6–7). GONGOs are established by the state to deal with social problems and are generally closely linked to the government. The state tolerates NGOs as long as they do not focus on politically motivated issues and if they provided services to their constituents (poverty alleviation, elderly care, services for the disabled, youth development, rural development). Many NGOs are regarded as an indispensable part of society because of the contribution which they can make. Even now, the government continues to view NGOs as ‘bridges’ between the state and society and expect them to function as ‘helpful assistants’ in delivering services to society. Outside of these functions, political control over them remains tight (Lau, 2009).

NGOs Functions

NGOs in China are not allowed to engage in overtly political activities, for fear that labour rights movements will threaten social harmony and stir up unrest among workers. NGOs must thus find acceptable methods when trying to influence policy and their actions must take place in a space determined by the state. They have no right to make demands on the state or hold state officials accountable. This differs from their counterparts in advanced and developed countries who can demand governmental resources, participate in policy making and monitor state officials (Tang & Zhan, 2008; Beja, 2006; Froissart, 2006). Unlike those in the west, Chinese NGOs are not a legally protected form of organisation (Salmenkari, 2009). In the main, like the ACFTU, they also only help minimise social conflict and orientate reforms in a way which helps the state maintain its power (Froissart: 2006:213). Nevertheless, there are NGOs which have gone further to champion the rights of migrant workers, for example, by putting pressure on state authorities to set up programmes to benefit migrants, highlighting their plight through the media and mobilising public participation to influence the formation of pro-migrant public policies. They have also acted as legal representatives of migrant workers, advising them of their rights, assisting them in preparing legal documents and taking their cases through the legal system (Greenwood-Bentley, 2004; Wang, 2006; Froissart, 2006; Lu, 2007; He & Huang, 2008, Salmenkari, 2009). Halegua (2008) describes the services provided by ‘Little Bird’ (NGO) in Beijing in representing migrant workers in settling labour disputes with their employers through persuasion and mediation but also through establishing links with lawyers. More than 100 lawyers are currently registered with this NGO, which enhances its ability to advise migrant workers and prepare their cases. Other migrant worker NGOs fulfill a further apparently innocuous but potentially ‘dangerous’ role. The NGOs surveyed by He & Huang (2008) provided cultural and recreational opportunities for migrant workers free of charge.

Migrant workers, cut off from their villages and families live in a world in which recreation is largely absent. Opportunities for them to associate together and enjoy themselves through karaoke evenings and other social activities are greatly valued. This social role has historically been one of the most important functions carried out by the ACFTU. But it has been suggested that such activities can build associative links between workers that may be the basis for collective action (Jarley, 2005). Last but not least, many NGOs provide counseling and medical advice to migrant workers; some even conduct research into workers' injuries, overtime, wages and living conditions (Wang & Liu, 2009, 17-25, 34; Greenwood-Bentley, 2004). In all, the evidence shows that NGOs provide migrant workers a wide range of services to alleviate their difficulties, the most important of these services being to act in a representational capacity.

Yet NGOs are perceived with suspicion by the state. They are regarded as a threat to the status quo, i.e. that the increasing influence of locally-based groups might create instability by becoming covers for those engaging in hostile political activities (Edele, 2005:12-13). In addition, for a long time, it was also believed that there was little need for intermediaries between the state and the masses, except those designated by the state, such as the ACFTU (Greenwood-Bentley, 2004). Thus, the state tolerates NGOs' existence but has a variety of measures to control them. The first means of regulation is the formal registration procedure (Regulations on the Registration and Management of Social Organisations and the Regulations on People-Managed Not-for-Profit Institutions 1998)⁸. In order to obtain legal status, an NGO must be registered with the Ministry of Civil Affairs. To be registered, however, an NGO must first find a sponsor (usually a government authority carrying out work in a similar area). Very few organisations are able to register as NGOs because they are unable to find a sponsor since to do so, they need good connections with local officials. Additionally, the Regulations provide that where there is already a social organisation active in the same or similar area of work in the same vicinity, no new organisations can be established. Wang & Liu (2009) note that organisations which have not been able to register as NGOs often resort to registration as corporations – although by doing so, they attract higher tax liabilities and lower charitable donations. They also posit that unregistered NGOs are ten times as numerous as registered. Further, NGOs are not allowed to operate outside the region in which they are registered. Given these difficulties, very many NGOs either avoid registration and operate illegally or register themselves as commercial enterprises or subsidiary organisations associated with universities (Edele, 2005: 15-16). The second means of regulation is through control of resources. NGOs are not entitled to public funding and therefore have to rely on international donor (e.g. Ford Foundation, the Danish Institute for Human Rights) for funding. Indeed, unless NGOs are associated with the party state, they receive extremely limited donations from philanthropic individuals or organisations. Many NGOs thus cannot afford to employ full time employees and have to rely on either a small number of part time staff or volunteers (Edele, 2005: 24 – 25; Wang & Liu, 2009: 26 – 31, Lu, 2009). As a result, they are often small, lack influence and ineffectual (Salmenkari,

2009: 406). Unsurprisingly, NGOs have expressed concern over the narrow field in which they are permitted to work, are critical of their relationship with the state and express frustration that operating within ambiguous political parameters has hindered their development in their fields and limited the discourse to those which are officially tolerated by the state (Beja, 2006; Salmenkari, 2009: 408).

Conclusion

The Chinese state has in recent years, attempted to increase the protection given to migrant workers through the enactment of new laws, increasing and extending union activity and permitting NGOs to attend to migrant worker needs. These have been undertaken in response to the extraordinary scale of social tension and mass discontent exhibited by migrant workers, who have, in the last several years, been socially excluded and exploited. The potential of recent legislation to enhance the rights of migrant workers is however, limited because of weak enforcement structures. The tendency on the part of unions to adopt solutions that emphasise 'social harmony' continues to pervade their organisational culture and daily practice, suggesting strict boundaries to likely future results. NGOs, which have emerged in great numbers in recent years, may have several organisational advantages compared to official unions. Those which originated from migrant workers enjoy spatial, social and experiential proximity to their constituency. Many NGOs have also shown considerable organisational flexibility and adaptability, proving persistent and innovative in defending migrant workers' interests despite significant difficulties. Further, their activity is extensive since it includes legal assistance, recreation and even to some extent, political action. Yet even their potential to transform themselves into genuine representational bodies for migrant workers is extremely limited in view of the significant confines under which they operate. Their autonomy is not institutionalised. They also face severe (political) restrictions in their attempts to promote alternative values. Finally, their lack of manpower and resources greatly limit their effectiveness.

The paradox is that despite the willingness on the part of the state to introduce new mechanisms for migrant worker protection, these have been established and allowed to operate within the strict parameters of its political ideology. Consequently, migrant workers continue to be unprotected and continue to suffer from acute hardship because these mechanisms do not enable them to defend themselves. Despite making efforts to improve their social and economic positions, that outcome has remained elusive for many millions of migrant workers. The reality is unless major and radical policy changes to integrate them into the mainstream working class are introduced (the most effective of these is by giving them rights of organisation and representation), social tensions will continue to intensify, which may in the last resort, threaten economic growth.

8 Published by the State Council at the 8th ordinary session, September 25th 1998. See "China Development Brief", at <<http://www.chinadevelopmentbrief.com/page.asp?sec=2&sub=1&pg=3>> (downloaded 1 May 2009).

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3. SOCIAL EXCLUSION IN CHINESE CITIES IN THE 21ST CENTURY

Anne Daguerre and Elena Vacchelli

Abstract

Although income inequalities in Chinese cities are at a fairly low level compared to other developing countries, urban social exclusion has increased in the context of globalisation and accelerated economic growth. Two main factors have contributed to the accentuation of social exclusion in modern urban China. First, globalisation and increased Foreign Direct Investment have resulted in restructuring and deindustrialisation. The development of capital intensive and high tech industries has not been able to compensate for job loss in labour intensive manufacturing, thus creating massive unemployment. Second, welfare retrenchment has accentuated the plight of a new urban underclass.

Key words: Social exclusion, new urban poverty, China.

Introduction

Since the late 1970s there has been a gradual opening up of China to the global economy. The country has undergone a profound transformation, with a transition from a planned economy to a privatised, market economy, referred to in official parlance as ‘a socialist market economy with Chinese characteristics’. The Chinese economy has been subjected to a process of double transformation, both in terms of endorsement of market rules and in terms of improving industry’s competitive base. Increased trade openness and reinvestment in capital intensive industries away from traditional labour intensive industries has marked the beginning of an extremely rapid process of economic, social and ideological transition in the space of twenty years (1978-1998). The gradual abandonment of declining industries (mining, quarrying, manufacturing and construction) in the state sector - referred to as ‘sunset industries’ - has opened up a space for massive investment in the private sector in order to attract Foreign Direct Investment (FDI) and to favour export-oriented growth. This radical reorientation of economic strategy has led to some acceptance of income inequality. Indeed, income stratification has become acceptable in the early 1990s, as Deng Xiaoping proposed ‘to let a few people become rich first’ (Wu and Huang 2007: 174).

The process of economic and social change has been accelerated in the 1990s, with China’s accession to the World Trade Organisation (WTO) in 2001 and financial services liberalisation. *Accelerated market reform has accompanied unprecedented economic growth but also seen the emergence of a new phenomenon, urban poverty. Poverty was previously regarded as mainly a rural phenomenon, but in the 1990s urban poverty emerged as a problem that potentially affected a substantial percentage of the urban population (Yan, 2008).*

As in Western Europe and the United States, massive lay offs have been the price to pay for the restructuring and downsizing of traditional industries, especially in the state sector. This rapid decline has coincided with welfare retrenchment. Social services such as health care, housing and education, previously subsidised by the state and attached to the workplace, the famous iron rice bowl, have become privatised. The emergence of mass unemployment

has contributed to a new urban poverty, a phenomenon traditionally associated with welfare retrenchment and the transition to a post-Fordist economy in Western societies. The Chinese authorities have been initially in denial of the phenomenon of urban poverty traditionally associated with Western capitalism. However, the scale of the issue required a political response in the mid to late 1990s, especially as social unrest began to develop and assumed alarming proportions, even after the massacre of *Tiananmen* in 1989.

The authorities have been looking for relatively quick fixes and have also been unwilling to loosen extremely tight administrative controls. Perhaps more importantly, social policy has been subordinated to the pursuit of economic competitiveness. As a result, there has been no overall antipoverty and social exclusion strategy in China. Instead, the new social protection system has developed in an extremely fragmented and uneven manner, alongside the vestiges of the work-based rice iron bowl system, which continues to protect insiders. The meagre safety net is unable to cater to the needs of the growing urban poor due to the conjunction of economic, financial and increasingly demographic pressures. *The paper reviews these economic and social developments and then looks at social exclusion in an urban context, focusing on the city of Shanghai.*

The Impact of Globalisation on the Chinese Labour Market

Since the early 1980s Chinese policymakers have portrayed FDI and globalisation as a major instrument for achieving economic growth. To this end, the state has invested domestic resources in high tech industries in the private sector, and away from traditional state industries characterised by low productivity (the sunset industries). Labour market reform and privatisation have catered to global demand trends. Indeed, globalisation has been used as driving force for the imposition of domestic reform: this is a truly dialectical process, to the extent that globalisation and marketisation are intrinsically related. Accession to the World Trade Organisation in 2001 has completed this process of external and domestic liberalization. The transition to a market economy and increased trade openness go hand in hand. The country has fully exploited its advantages of low labour costs to attract foreign investment and technology to push economic development. State intervention has centred on the reorientation of the economy towards a model of export-oriented growth, especially with the opening up of special economic zones in the coastal provinces in the early 1980s. Both the private sector and FDI have flourished in those areas (Brooks and Tao 2003: 7). Shanghai special economic zone - the Shanghai Pudong New Zone - was founded a little later, in 1992.

A crucial example of the use of globalisation to impose domestic reforms is the downsizing of state-owned enterprises (SOEs) in the 1980s and in the 1990s. SOEs were focused in heavy industries characterised by hidden unemployment. Prior to the 1990s, SOEs provided lifetime employment within a mini welfare state, which was known as the iron rice bowl. The provision of social services was attached to the work unit. This changed in the 1990s, when managers

were required to reduce their surplus labour, and when more than 25 million workers were made redundant between 1996 and 1999 (Knight and Yueh 2004: 638).

In fact, between 1996 and 2001, the number of urban and township workers fell from 149 million to 108 million, a net reduction of 28%. This includes a drop of 52.5 million workers in state-owned enterprises and an increase of 12 million workers in the formal private sector. Employment in the informal private and self-employed sectors grew by 13.3 million, or a 57% increase (Zeng 2005: 5). The downsizing of SOEs played an important role in the reorientation of economic growth, away from traditional heavy industries to high tech and communication, and away from the public sector to the private and informal sectors.

As a result, most of the foreign investment and export production continue to occur in the export processing zones that are located in the coastal area of Eastern China, leading to a dramatic increase in regional and personal income disparities, with the rural hinterland falling behind. Both domestic and foreign capital have been concentrated in the coastal areas, which have benefited most from globalisation (Zhang, Xiaobo and Zhang, Kevin H. 2003: 63). It is estimated that the emerging high tech sector employs 20 million workers in foreign-owned firms and additional million in Chinese firms that are suppliers of the modern-export oriented sector. The adoption of capital-intensive industrial development, especially in high tech and the service economy has created a small number of well paid jobs for the most-skilled workers (United Nations Human Settlement Programme 2008).

But globalisation and privatisation have also created losers. Shanghai is a case in point: in this city a shift away from traditional industries such as textiles and general manufacturing has created massive job losses which have not been compensated by job creation in the denominated six pillar industries, iron and steel, automobile electronic and telecommunications, household appliances, power stations and petrochemicals and the high-end chemical processing industry. Of the six pillar industries, growth has been concentrated in electronic telecommunications and power station equipment. Deindustrialisation has not been compensated for by growth in the pillar industries (Zhang 2003: 1562-1564).

In China, as high tech industries do not create enough jobs to absorb the surplus labour force, a large proportion of laid off workers have become permanently unemployed. Indeed, most jobs created in the private sector are highly skilled, and dislocated, low-skilled workers cannot compete for them; in China as in developed countries globalisation has accentuated labour market selectivity. Moreover, there is an ongoing mismatch between the low-skill, undereducated workforce that a range of Maoist policies fostered and the model of competitive economic growth developed by the regime, leading to an increase in structural unemployment. For the first time in contemporary China's history, working age people willing to work are not able to find jobs (Solinger 2005: 3- 4).

An increasing number of rural migrant workers come to urban areas to work in the informal sector, mainly in cleaning, maintenance and repair, construction and restaurants, compet-

ing with the new urban poor for informal work. Public sector downsizing has been accompanied by a quasi privatisation of employer-provided social services such as health and education. As a result, lack of employment has serious consequences as it means exclusion from social services such as health, education, pensions and social security.

Welfare Retrenchment and the Emergence of a New Urban Underclass

The emergence of a new urban underclass in the late 1990s has been commented by various authors (Li and Piachaud 2004, Chen, Gu and Wu 2006, Wu and Huang 2007). Wu and Hang estimate that urban poverty affects between 15 and 31 million (2007: 172). This estimate includes only the urban population with hukou status. Rural migrants who have not been registered as urban residents are not included in these estimates. The hukou term refers to the system of residency permits. The household registration record officially identifies a person as a resident of an area and includes identifying information such the name of the person, date of birth, the names of parents, and name of spouse, if married.

The 'new urban poverty' refers to socially and spatially excluded individuals who lack social welfare coverage, do not benefit from reciprocal and informal social capital and are negatively affected by the spatial re-organization of the city. The new urban poor work in manufacturing industries or low-ranking service sectors; together with the rural migrant and the traditional urban poor, they are now situated in the lowest stratum of income distribution. It is worth noting, however, that while rural poverty in China is decreasing the number of urban poor is rising. Moreover, a study on low-income neighbourhoods in six major Chinese cities (He, Wu, Webster and Liu 2010: 345) reveals a poverty incidence of 22.4% in these selected neighbourhoods, which is much higher than suggested by official figures. As in the West, social concentration of poverty has become an issue for the Chinese authorities, who have been reluctant to fully acknowledge the scale of the problem. Another message from the research is that the urban poor tend to have a higher sense of deprivation than rural migrants (He, Wu, Webster and Liu 2010: 346). The reasons for this higher sense of deprivation lies in the fact that the new urban poor no longer have close ties with state institutions, notably state enterprises, despite their remaining connections with their former employers. This feeling of social abandonment and isolation enhances their sense of alienation, which in many ways echoes similar feelings expressed by discouraged or laid off workers in Western societies. By contrast, rural workers make positive comparisons with their former situation and are more likely to feel positive about their future.

The new urban poverty is distinct from the traditional urban poor known as the 'three Nos' (people with no stable income, no working capacity and no family support). The three Nos were supported by the Ministry of Civil Affairs (Chen et al.2006, Wu and Hang 2007). State support of last resort is still provided to the most needy urban residents, but only 5% of the urban poor qualify owing to severe eligibility criteria (Chen et al.2006: 8).

As the state stopped subsidising the iron rice bowl which traditionally offered a model of welfare from cradle to the grave, traditional social assistance has plainly been unable to cater to the needs of the growing urban poor which fall between the cracks of a fragmented safety net. The iron rice bowl has been gradually replaced by a private social insurance model, surprisingly similar to the work-based US health care scheme. In the 1990s social provision gradually became privatised whilst at the same time companies required growing contributions and insurance premiums from their own workers. As a result an increasing number of disenfranchised, low-skilled workers could afford neither private social services nor could they be entitled to the traditional social assistance of last resort.

It was in order to close these loopholes that in the mid-1990s the Chinese cities established a three-tier safety network based upon three programmes - the Labor Security Programme to meet the living expenses of laid-off workers, the Unemployment Insurance Programme and the Minimum Standard of Living Programme for urban residents. These programmes are essentially compensatory and set benefit rates at an extremely low level, which is the reason why they do not reverse the move towards welfare retrenchment. A social security system known as the Minimum Living Standard Support (MLSS) was first used experimentally in Shanghai in 1993 and extended to the vast majority of urban areas by the end of 1998.

The aim of the MLSS is to guarantee the urban poor's basic living standards; cities typically operate different standards, and as a result approximately 10 million people who would be entitled to assistance do not receive it. Moreover, the standard of assistance is extremely low and does not cover medical care, middle or higher education, and increased rent. The level of assistance has been maintained at an extremely low level for ideological and financial reasons. It was feared that relatively generous allowances would encourage welfare dependency incompatible with self-reliance and economic competitiveness. Interestingly, the Chinese authorities presented the Western welfare state as a counter model which encouraged idleness and welfare dependency. But the most important reason for keeping benefit levels at a bare minimum was financial: local authorities simply could not afford to pay higher benefit levels due to the massive accumulation of urban poverty (Wu and Huang 2007: 171-178). All in all, this three-tier safety network covers 120 million people. It is co-funded by enterprises, local governments and individuals, but the system becomes vulnerable when the enterprise or the local government is unable to contribute to the system, which happens quite often as workplaces are subsidising pension schemes quite heavily.

Urban poverty is not the only pressure on the Chinese welfare state. A rapidly ageing workforce represents a key challenge as demographic pressures and pensions contribute to eroding the capacity of the nascent social insurance system. This means that there is less money to spare for the casualties of globalisation and deindustrialisation. Although the phenomenon of urban poverty – and indeed unemployment- remains systematically underestimated by Chinese authorities, it is clear that a large fraction of the urban poor routinely experiment massive

destitution and intergenerational poverty, as Wu and Huang (2007) have explained. Indeed, the new urban poor are typically poorly educated and possess low skills; as a result, they cannot access the mainstream labour market. Lack of financial resources prevents them from investing in education, the only way to build human capital for their children. As a result entire families are maintained on the edge of poverty, barely able to survive but unable to lift themselves and the future generations out of poverty. Moreover, life events such as illness can precipitate these households into extreme hardship (Wu and Huang 2007:178-179).

Marketisation and Social Exclusion in Shanghai

This section focuses on Shanghai, its specific experience of globalization and the latter's impact on the urban poor's already vulnerable position. We also underline the emergence of a new type of urban poor, qualitatively different from the traditional urban poor and rural migrant. They are called 'new' because the phenomenon of structural unemployment and labour market selectivity as a result of economic restructuring is new in contemporary China. The new urban poor live in extremely difficult circumstances as a result of economic restructuring, welfare retrenchment and recent urban developments in Shanghai (Chen, Gu, Wu 2006). As such, they are subjected to new patterns of social exclusion.

Shanghai is a traditional industrial centre, with a heavy concentration of old State-owned Enterprises (SOEs). Starting in 1978 Shanghai gradually opened up its economy. As in the rest of the country, in Shanghai globalization, market reform and increased trade openness was pursued by shifting public investment away from state owned enterprises towards the private sector, with a concentration on capital intensive and high tech industries. In the 1980s, the Chinese government promoted special economic zones along the coastal provinces. In the 1980s, Shanghai carried out a radical re-orientation of economic growth away from traditional heavy industry towards high tech and communication. Moreover, the Chinese central government implemented microeconomic strategies aiming at downsizing State Owned Enterprises (SOEs).

Two milestone plans for Shanghai's redevelopment affirmed its central role in the Chinese economy. These were the 1984 'Comprehensive plan for Shanghai' and the 14th Communist Party Congress in the early 1990s. The former proposed a relocation of traditional industries from downtown areas to the suburbs in order to make space for tertiary business and designated the Pudong area as the new potential extension of the CBD. Key to the 'Comprehensive Plan for Shanghai' - substantially an urban redevelopment plan with economic implication - was a focus on services and capital intensive growth and improvement of the urban structure development through enhancement of housing conditions. This was seen as a way to attract FDI and increase exports. Although the plan was not immediately implemented due to a lack of financial resources, it laid the basis for a vision for the imminent development of the city. The second plan was the outcome of the Chinese Communist Party Congress during which it was decided

to adopt SMEs and further increase Shanghai's central role in the Chinese economy. This was achieved by mixing macroeconomic targets with traditional central planning tools, by setting up target numbers for Foreign Financial Investments (FFIs) in the area as well as a target for the number of industrial organizations of transnational corporations (TNCs) that the city was supposed to attract (Zhang 2003). The tertiary sector's share in the local economy increased tremendously, from 50% in 2000 to approximately 65% in 2010. A massive infrastructure development plan which included Pudong International Airport was also implemented.

Despite these ambitious plans, economic restructuring in Shanghai was not really a success story, for three main reasons. First, the development of the domestic private sector was not achieved; moreover, the reallocation of resources in the tertiary sector was characterised by inefficiency. Second, failure to implement structural reform led to slow productivity growth in the tertiary sector. As a result, the overall structure of the tertiary sector in terms of output and employment experienced only limited changes, the only exception being the real estate business and social services. Third, social services growth was characterised by low productivity, notably in the financial sector, which did not compensate for job losses in the private sector.

Due to the shift from the secondary to the tertiary sector between 1990 and 2000 Shanghai's secondary sector lost more than one and a half a million jobs and unemployment increased from 1,5% in 1990 to 3,1 % in 1999, and from 3.1% in 1999 to 4.5% in 2010 according to the latest available statistics. Although Shanghai has a low poverty rate compared to other provinces in China, increasing consumer prices and the growth of unemployment have hit those on low income especially hard. There is a widening income gap between rich and poor, with the lowest income group having an income growth almost 6.7 times slower than the highest income earners in 2003, an increase from 2.72 times in 1985 (Fei 2008). The new urban underclass is the victim of economic restructuring, the state's retreat from workplace-based welfare provision and the re-organization of urban space around the Pudong area.

Shanghai is an interesting case for understanding the emergence of urban poverty in China as the city was traditionally characterised by a heavy concentration of state-owned enterprises. Before the transition to a market economy, urban workers in the SOEs enjoyed welfare services from cradle to grave including housing, health care, pensions, child care and education. Almost all state employees benefited from the Iron Rice Bowl policy and until the late 1980s urban poverty was almost non-existent. This changed radically in the 1990s, when the number of SOEs was radically cut down as a result of downsizing and restructuring. In 2003 the state sector in Shanghai contributed only about 14.6% of Chinese Gross Industrial Output Value, down from 76.6% in 1980. A large number of state workers were laid off, and in 2005, there were 0.21 million people working in state enterprises, 89.9% less than in 1992. This was accompanied by welfare retrenchment at the provincial level, with housing subsidies reduced to a very low level and health coverage reduced from 100 % coverage for state employees to a coverage range as low as 20% for state sector employees and zero for other urban workers (Fei 2008).

To maintain social cohesion, the city of Shanghai has taken the lead in introducing three basic guarantees since the 1990s: a Minimum Living Standard Scheme (MLSS) for urban residents, a Basic Minimum wage for workers and Basic Unemployment Compensation for laid-off employees, along with a guarantee of salaries being raised gradually in accordance with living standards. In particular, the MLSS plays a critical role in poverty alleviation, as the government has raised the basic level of the MLSS in line with rising living standards. The government defines the basic needs of a urban resident in terms of the cost of food, clothing, housing, medicine and education. In 1993 the poverty line was established at 120 yuan (15\$) per capita per month and adjusted every year in response to the changing inflation rate. In 2006, the poverty line rose to 320 yuan (41\$), but this means that strict eligibility standards do not enable households near or above that poverty line to be covered (Fei 2008).

The legacy of socialist urbanism is an important factor in understanding the spatial distribution of poverty. While the traditional poor are distributed randomly in the city, the new urban poor, especially laid-off workers, the unemployed and the low paid, tend to be highly concentrated in industrial areas, work units and commercial areas. The spatial distribution is characterized by city-wide dispersal with pockets of poverty concentrated at the community level. The Purdong New Area redevelopment project has had a negative impact on the urban poor who suffer from low income levels, have weak social ties and limited residential choice. This has created an increasing displacement in terms of transport and access to jobs for the Shanghai population affected by new forms of urban poverty.

Conclusion

Social exclusion in urban China presents six major characteristics. First, social exclusion is constituted of three distinctive components: the traditional urban poor, rural workers and the new urban underclass mainly composed of laid-off or discouraged workers. Second, whilst rural poverty is decreasing the new urban poverty continues to rise. Indeed, as in the Western world, new urban poverty in China is mainly the outcome of global economic restructuring and changes in welfare provision, which represents an ongoing process. The emergence of a new urban 'underclass' is largely explained by the fact that a large number of uneducated and unskilled workers are being cut off from the labour market. There is also fierce competition between laid off workers and rural migrants, which drives down wages. Third, the disappearance of the iron bowl - the Chinese equivalent of welfare retrenchment - has led to a privatisation of social service provision, mainly housing, education and health care, which means that urban workers are increasingly reliant on market mechanisms to maintain or upgrade their living standards. In this new political economy, low skilled workers or those with obsolete skills - mainly ex state enterprise employees - are, together with rural migrants, at a structural disadvantage at the low end of the labour market. Fourth, a new pattern of generational poverty has started to appear amongst the new urban poor who are unable to ensure that their children have access to good

quality health care and education. Since education and good health are crucial for maintaining the competitiveness of the labour force in the post-Fordist economy, young people in deprived areas have poor life chances and are more likely to experience spells of poverty in their adult life. This phenomenon can also help explain the emerging pattern of rising income disparity and social inequality. Fifth, there are striking similarities between urban poverty in China and familiar patterns of social deprivation in more mature societies in the Western world, with exclusion both from the existing safety net and from regular employment being the two chief causes of poverty. Sixth, the Chinese authorities have not been able to respond adequately to the new challenge of mass unemployment. Many people continue fall into poverty in urban areas despite the introduction of the Minimum Living Standard. In sum, the rise in unemployment owing to the disappearance of traditional industries is the major factor behind the emergence of urban poverty in China, which has been underestimated by public authorities. Social exclusion represents a major challenge in 21st century China and requires the establishment of new social protection mechanisms that focus on improving life chances – for instance through a major investment in early education - as well as traditional redistributive measures.

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4. The Macao Formula:^{*} The Key to Four Hundred Years of Successful Interactions Between China and The West

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Abstract

The Portuguese were the first batch of Europeans arriving at China by sea at the beginning of the sixteenth century with the purpose of securing formal trading relations with Ming China. However they could not be fitted into the only trading system permitted for foreign states known as the tributary trade system. For decades after their arrival the Portuguese had to participate in illicit trade along the Fukien and Chekiang coastal areas intensifying the "Wo-k'ou" Problem and the "Portuguese Problem" for the Ming. In the absence of a firm central government policy, the Kuang-tung officials were left to device a policy, by the end of the Ming dynasty, to compromise two seemingly incompatible but dominant factors in Ming diplomacy: a pragmatic pro-trade attitude and the practical considerations of defense for national security. This Ming policy well deserves its title of the Macao Formula because it emanated from the operations in Macao. It was a policy of pragmatism and tolerance to accommodate the needs of historical circumstances to make economic gains compatible with national security.

Introduction

Even to those who may know about it, Macao is perhaps best known for its thriving casino business or for its pre-1999 turf wars among different triad groups. The Macao Special Administrative Region has contributed to modernizing China, and has also modernized itself rapidly. Today tiny Macau can boast a state-of-the-art telecommunications system, an advanced tertiary education system, an upgraded off-shore banking system, a growing high-tech manufacturing industry, a new container port, three modern bridges and a modern international airport. Still measuring only 24 square kilometers including the two adjacent islands of Taipa and Coloane together with several kilometers of reclaimed land, this tiny enclave's per capita GDP now ranks first in Asia. This is because since the liberalisation of the gaming monopoly in 2002, Macau has become the world's biggest casino market and its GDP figures have almost tripled over the past decade.

Very few would contemplate that Portuguese Macau once played a very important role both in modern Chinese history but also in world history, or that Macau's unique culture and history contain important lessons. Yet Macau holds the key to over four hundred years of successful interactions between China and the West. How did such a unique experience come about? To answer this would necessarily bring the historian back to the beginning of the sixteenth century when China and the West made their first encounters in Macao.

The First Sino-western Encounter

The Portuguese were the first Europeans to arrive in China by sea. after conquering such

important commercial centers as Goa (1510), Malacca (1511), and Hormuz (1515). The first Portuguese person to arrive at the China coast was probably Jorge Alvares, recorded as arriving in 1513. Three years later, the Portuguese, under Captain Fernão Peres de Andrade, sailed up to Canton. In 1520, their envoy, Tomé Pires, arrived in Peking. The purpose of both visits was to secure formal trading relations with China from the Emperor.¹

Traditionally, China's contact with the outside world had been with neighboring states through the tributary system under which the foreign states sent tributes or gifts to the Chinese Emperor as his vassals. In return, the Emperor often gave gifts of greater value to the members of the mission presenting the tribute. More important, the tributary state was allowed to carry on profitable trade with the Chinese. But the Portuguese, as foreigners, did not quite fit into this framework. First, they came from a country not recorded as a tributary state. Second, unlike the Ming's vassal states, the Portuguese were interested in trade rather than paying tribute to the Ming Emperor. But the Portuguese met with even greater difficulties in fitting into China's trading system. Ming China's initial impressions of the Portuguese were, to say the least, unsavoury. Referred to in Chinese as the "*Fo-lang-chi*", not only were their physical appearances depicted as strange and grotesque, they were also mistakenly identified as a special variety of goblin, bearing only a superficial resemblance to normal human beings and coming from cannibalistic ancestry.² From this perhaps the bizarre and inexplicable allegation that the Portuguese were lovers of, children's flesh for food was derived.³ Accounts of Portuguese eating Chinese flesh were recorded in otherwise sober and serious contemporary Ming scholarly works.⁴

These conditions did not totally disqualify them. What ruled the Portuguese out was the fact that the Ming court soon learned about their conquest of Malacca, a loyal vassal state. The fugitive Malaccan king's envoy had arrived in Peking to report the Portuguese misdeeds in Malacca.⁵ At almost the same time, word of the misdeeds in the Canton areas of the Portuguese under Simão de Andrade also reached the throne. Simão de Andrade was the brother of Fernão Peres and had come to take command of the Portuguese in 1518 on the departure of his brother. Simão was an arrogant, unruly, and covetous character. The alleged deeds of atrocity, scheming, and conquest of the Portuguese were thus confirmed by their wicked actions.⁶

To the Ming, only their faithful vassals should be allowed to take part in the "tributary trade" system. Trade was considered a means to appease the vassal states that had been accorded a place in the Ming world order. Any state threatening to upset the harmony had to be excluded from the trading community. The only way, therefore, for the Portuguese to gain access to China's trade was to prove their peaceful intentions by returning Malacca to its former ruler. Naturally, the Portuguese had no intention of doing that. To make matters worse, the actions and activities of those Portuguese who were present in China during the first four decades after their arrival did not help to dispel early Ming impressions of them. The earliest images of the Portuguese as kidnappers and slave traders of women went hand-in-hand with accounts of their seizing children for food. Indeed, the stories of Portuguese kidnapping activities were sub-

* For the Macao Formula, see selectively K.C. Fok (Fok Kai Cheong); a) *Estudos Sobre A Instalação dos Portugueses em Macao, Portugal, Grádiva, 1997.* b) "The Macao Formula in Crisis over the Quest for Spiritual Faith", in *Culture, Art, Religion: Wu-li (1632-1718) and His Inner Journey*, The Macau Ricci Institute, 2006, pp.33-67, (Hereafter cited as "Formula in Crisis") c) "Aomen Mo-shi yu chin-tai Chung-kuo kuan-hsi" (The Macao Formula and Modern Chinese History), in *Hsiang-kang yu chin-tai Chung-kuo lun-wen-chi*. (Academia Sinica, Taiwan), 2000, pp. 149-160. d) "The Ming Debate on How to Accommodate the Portuguese and the Emergence of the Macao Formula", *Revista de Cultura*, Nos. 13/14 (Special Issue), Macau, Cultural Institute of Macau, 1991, pp. 328-344. (Hereafter cited as "The Ming Debate") e) "The Macao Formula at Work" (Hereafter cited as "Formula at Work"), in *Estudos de História do Relacionamento Luso-Chinês, Séculos XVI-XIX*, António Vasconcelos de Saldanha and Jorge M. dos Santos Alves eds., Macau, Instituto Português do Oriente, 1996, pp. 487-502. f) "The Macao Formula: How Four Hundred Years of Luso-Chinese Interchange Began and Will Endure", in *Working Paper Series*, The Center for Western European Studies, No. 23, Berkeley, University of California, 1997, pp. 2-11. g) "The Macao Formula: A Study of Chinese Management of Westerners from the Mid-Sixteenth Century to the Opium War Period", unpublished Ph. D. dissertation, University of Hawaii, 1978, pp. 51-56, Hereafter cited as "The Macao Formula".

1 For a detailed list of works on early Portuguese contacts with China see K.C. Fok, "Early Ming Images of the Portuguese". In R. Ptak ed., *Portuguese Asia: Aspects in History and Economic History (Sixteenth and Seventeenth Centuries)*, Heidelberg University, 1987, P. 143. Fn.1. (Hereafter cited as *Early Ming Images*).

2 Ibid, p. 144

3 Ibid, pp. 144-146.

4 Ibid.

5 Ming Shih-lu, Wu-tsung shih-lu (Chung-yang yen-chiu yuan edition, 1965), Ch. 194, P. 2b.

6 K.C. Fok, "Early Ming Images", pp. 147-148.

7 Kuo Shang-pin, Kuo Chi-chien shu-kao, in Wu Tsung-yao ed., *Ling-nan i-shu*, 1831-63, ch'uan 1, pp. 13a-15b; P'ang Shang-p'eng, *Pai-ko-ting che-kao* in Lo Hsiueh-p'eng ed. *Kuang-tung wen-hsien* 1864, ch'uan 14, pp. 10b-11a.

8 Ibid.

stantially documented in reliable sources.⁷ The “*Fa-lang-chi*” were also noted for their “barbarian unmanageability” and defiance of both Chinese laws and bureaucratic regulations.⁸

Their display of military strength was seen as a threat to China. The impressions given to the Ming government by the Malaccan envoy of the Portuguese being conquerors and warriors were soon substantially proven by two military confrontations between the Portuguese and the Ming navy in 1521 and 1522.⁹ To crown this, the misdeeds the Portuguese committed in the Canton area, epitomized by Simão de Andrade also reached the Chinese throne.¹⁰ Charges were brought against the “*Fo-lang-chi*” by highly placed Ming officials for having conquered China’s loyal vassal state and having defied and violated Chinese law on Chinese territory. As a result, the Portuguese were forbidden to come to Canton for trade.¹¹

Problems of Accommodation

Almost simultaneously, wider political developments in East Asia threatened to disrupt the Ming system of diplomacy and trade. In Japan, central government was unable to maintain control over the whole country, and powerful military families vied for the right to send tribute missions to China. The feud between two powerful Japanese families resulted in their tribute envoys committing acts of violence along the Fukien coast in 1523.¹² Ming China therefore suspended the tribute trade with Japan.

The imperial ban did not stop both Portuguese and Japanese from coming to China for trade. They turned to illicit ways and Chinese who lived in the coastal provinces, eager to reap the huge profits which should have gone to the state coffers, willingly served as their accomplices. In the absence of government supervision and regulation, illicit trade became a private affair between the Chinese collaborators and the Japanese. Eruptions of violence between the two groups led to the Japanese marauding along the coastal areas, reviving and worsening the “*Wo-k’ou*” or “Japanese Pirates” problem. The raids intensified in the 1550s and spread from modern Chekiang northward to the coastal region of Kiangsu and southward to the coastal area of Fukien province.

The Portuguese, banned from entering Canton waters, began to sail up along the Chekiang and Fukien coasts, where they were able to join the Japanese and their Chinese collaborators in clandestine activities. Thus the Portuguese problem joined the *Wo-k’ou* problem. However, the Portuguese were forced to retreat to the Kuang-tung area toward the end of the 1540s following the provincial government’s determined efforts to eradicate the smuggling activities rampant along the coasts of Chekiang and Fukien. Upon their return to Cantonese waters at the beginning of the 1550s, the Portuguese found that the Chinese officials there greeted them with a much more tolerant attitude than before.

Kuang-tung province had been impoverished by the enforcement of restrictive regulations on maritime trade. Trading with the Portuguese once again would help to remedy the stringent financial situation although regularizing the trade and its venue remained an issue.

Accounts in both Chinese and Western sources describe how in the early 1550s, the Portuguese were able to trade on the basis of temporary fairs held on off-shore islands south of Canton, on Shang-chuan (St. John's Island) and Lang-pai-kaio.¹³

A verified and reliable account tells us that around 1554-55 Captain Leonel de Sousa concluded a verbal agreement with Kwangtung officials to trade in Canton. Terms included the payment of customs dues, "gifts" to the officials and observance of Chinese regulations.¹⁴ But the Portuguese were allowed to trade inside the city of Canton for only a brief period. Thereafter they could only continue on the off-shore islands. The Portuguese were naturally not satisfied with the opportunities available in these islands. However, to allow the Portuguese to come into the city of Canton posed a serious security risk for the officials, especially when the Portuguese were found to have close relations with the Japanese. The Kwangtung officials had learned from years of contact with foreigners: if the Portuguese were separated from problematic sections of the Chinese population and from the Japanese pirates, they constituted no threat to China's national security. Moreover, if foreigners were confined to an area where there were ample means to control them, trade could be carried out there. The area would preferably be on the mainland and close enough to Canton to satisfy the needs of the Portuguese.¹⁵ The place chosen was Hao-ching-ao (Macao), open to the seas on three sides and therefore within the reach of foreign ships. It was connected to the Hisang-shan district by a land route with easy access to Canton.

Exact details of how the Portuguese managed to establish their settlement in Macao are lacking, but enough Chinese and Western sources exist to give a reasonably clear picture of why and how it happened. According to Chinese sources, in 1553 under the pretext that their ships were wrecked, the Portuguese requested of the Kuang-tung authorities permission to go ashore at Macao to dry their water-soaked goods. Permission was granted them by Wang Po, the Hai-tao fu-shih (Deputy Commissioner of Maritime Defence). This marked the beginning of Portuguese settlement in Macao.¹⁶

A Formula Emerges

From the 1530's to the 1560's the Ming emperors vacillated on the inseparably related problems of smuggling, piracy and maritime trade with foreigners because of their scope and factional strife at court. In the absence of a firm central government policy, local officials were left to their own devices. Viceroy Chang Ming-kang in 1614 declared a consistent policy to deal decisively with the Portuguese in Macao.¹⁷

Thus by the end of the Ming dynasty, a policy was gradually but finally shaped to accommodate two realities: that foreign maritime trade was profitable, and that practical considerations for effective coastal defense were essential. In economic terms, policy was formulated in response primarily to local needs and, secondarily, to imperial needs.¹⁸ After the alteration of the early Ming policy of exempting tributary ships from paying customs duties, the income de-

9 "Early Ming Images", pp. 148-149.

10 Ibid, pp. 147-148.

11 Ibid, p. 149.

12 K.C. Fok, "The Macao Formula" pp. 16-17.

13 Ibid.

14 Ibid.

15 Ibid.

16 Yin Kuang-yen and Chang Ju-lin, ed., *Ao-men Chih-lueh*, in *Pi-chi Hsiao-shuo ta-kuan hsu-pien*. Reprint, Taipei, 1975, Ch'uan 1, p. 9b; K.C. Fok, "The Ming Debate", p. 329.

17 Ibid, p. 341

18 Ibid.

rived had become a main source of revenue for coastal provinces, particularly Kuang-tung and Kuang-hsi. The livelihood of a large section of the coastal population was also dependent upon participation in the maritime trade and in fact so much so that illicit, private trade had been rampant since 1522-23.¹⁹ Moreover, by allowing the Portuguese to trade in Macao rarities such as *lung-yen-hsiang* (ambergris) could be brought to China from south-east Asia. These rarities often formed cherished items within the imperial household. The urgent imperial need for such rarities and the hazards often undergone before they could be obtained were illustrated in various Ming official accounts and confirmed elsewhere.²⁰ Secondly, Macao, a strategically important port and vital to the security of Canton city, could ward off pirates and local rebels and act as a buffer state in the hands of the militarily formidable Portuguese. It had proved helpful to alienate the Portuguese from China's treacherous elements, which had contributed to the subsidence of the *Wo-k'ou*. The Portuguese were most willing to lend the Kuang-tung authorities a hand in the suppression of the smuggling-piratical activities there.

This Ming policy well deserves its title of the "Macao Formula" because it emanated from arrangements there.²¹

To summarise, the "Macao Formula" had stemmed from the special historical circumstances and events leading to the worsening of the Japanese problem and the rise of the Portuguese problem. It was devised by pragmatic Kuang-tung officials to permit an exchange of real value with foreigners who could not be fitted into the tributary system. However, under the formula, even though the Portuguese presence in Macao was tolerated, relations with the Portuguese did not gain direct imperial endorsement throughout the Ming dynasty. The Portuguese were never recognized as a vassal of the Ming. No Portuguese envoy was ever received by the Son of Heaven. In short, relations with the Portuguese were never highlighted by performance of the proper ceremonial rites.²²

During the debate on how to accommodate the Portuguese in Macao from the 1550s to 1615, the earliest Chinese observers of this "alien" community were very wary of the Portuguese and used such metaphors as "the hidden roots of future anxieties", the "malignant disease between the stomach and the heart" or "the ulcer of the south" time and again in the memorials of the Ming officials.²³ Nevertheless, central government acquiesced in the evolution and operation of the Macao Formula mainly because the excellence and agreeableness of a policy which could avoid the use of force in favour of moral suasion was well-received and supported by Confucian scholar-officials, as discussed elsewhere.^{24/25}

The first argument was to show the emperor's magnanimous attitude, "that it is the responsibility of the Son of Heaven to guard against the foreign states in all directions but a great king will not fail to think of the benefits of these people."²⁶ Therefore "the foreigners (violating the law) to trade in Macao should be distinguished from the activities of the rebels. The benevolent will not abstain from pacifying his vassals from all directions. It is not the gesture of the righteous to have collected customs dues from them (foreigners in Macao) and then, speculating on

their evil desire without sufficient grounds, called for wild discussions for preventive measures against them. Without close examination to find out whether they are rebellious or submissive, good or bad, before designating them all as thieves will only lead to indiscriminate destruction of the good and the bad alike. This is what the wise would seek to avoid.”²⁷ So the best way to accommodate the Portuguese despite their unsavory image and wrongdoings would be to culturally assimilate them so that there would be compliance without protest or rebellion. In other words, the policy should “seek to transform and subdue them so as to win their loyalty.”²⁸ In more practical and precise terms, it involved establishing a bureaucracy in local government to regulate them according to the Code of the Han [people]. By inducing them to follow the way of the Hsia there would be acceptance of peace without protest or rebellion.²⁹

Rationale and Assumptions of Formula

The Macau Formula was never clearly stated as a formula in any Ming text, official or private. However, the rationale and assumptions that helped bring it about were clear. It permitted trade with Westerners in Chinese territory, but Westerners were to have trade and no more. To ensure this, contact between Chinese and foreigners would be confined to an area such as Macau. At the point of contact, there should be sufficient bureaucratic means to supervise Western traders and to control treacherous elements from the interior. The dominant rationale and assumption behind the formula was the government’s conviction that the most negative development would be the formation of an anti-dynastic fraternity between foreigners and treacherous Chinese natives.

Whether the formula worked or not largely depended on Portuguese compliance. The safeguards against them were built around a large contingent of Chinese forces stationed in the Casa Branca Fortress, strategically located to defend Macau and its vicinity. A Barrier Gate at the north end of the peninsula was also built to exclude the Portuguese from the interior. There was very little control over the foreign population inside Macao.³⁰

Consequently, the Portuguese were, from the very beginning, given the opportunity to develop a self-governing community. The governing body, the Senado da Câmara (the Macau Senate) was formed in 1582. It remained more influential in the government of the Macau settlement than the governor who was appointed in 1623. From the 1560s to the 1640s, the highly profitable trade with Japan brought considerable wealth to the Macau settlement. It enabled it to develop rapidly into a formidable community with a municipal government and its own military, social, and religious institutions. The earliest phase of this development, made possible with the connivance of the Kuang-tung officials, had escaped the notice of higher authorities on both sides. It was some years before the viceroy of Goa realized the extent to which Macau had developed. It was still longer before the Chinese emperor came to know about this permanent foreign settlement in that remote corner of his Middle Kingdom.³¹

The Portuguese remained quiescent throughout the rest of the Ming period. Their com-

19 K.C. Fok, “The Macao Formula”, pp. 18-44.

20 Ibid., pp. 93-95

21 So Kwan-wai, *Japanese Piracy in Ming China During the 16th Century*, 1975, pp.153-154

22 K.C. Fok, “The Ming Debate”, p. 343.

23 K.C. Fok, “The Ming Debate”, pp. 330-333.

24 Ibid., pp. 335-343

25 Huo Yu-hsia, *Huo Min-chai chi*, n.p., 1857, ch’uan 19, pp. 82a-84b.

26 Ibid.

27 Ibid.

28 Kuo shang-pin, ch’uan 1, p. 15a.

29 Huo Yu-hsia, pp. 82a-83a.

30 K.C. Fok, “The Macao Formula”, pp. 313-314.

31 Ibid.

pliance and simulated obedience, prompted by the desire to secure supplies of silk from Canton for their Japan trade, gradually reassured the Ming bureaucracy's fears. The Portuguese also helped to secure their footing in Macao by not only living up to the obligations they undertook but also by offering extra services. One was military aid to the Kuang-tung authorities to suppress the mutinous soldiers in 1564. As the Kuang-tung authorities gained greater confidence in the Portuguese, they were also encouraged by the acquiescence of Peking. By the end of the sixteenth century the Ming Court knew of such relations with the Portuguese since various memorials had been sent by censors to the court about the state of affairs in Macao. The Macao Formula was, nevertheless, passively tolerated. Dynastic unconcern with a sea frontier region may have been one reason. The fact that the trade could satisfy imperial needs for rarities and keep the Portuguese in check was another. But most important of all, the formula offered a compromise to the two seemingly incompatible but dominant factors in Ming diplomacy: a pragmatic pro-trade attitude and practical considerations of defence. The formula thus reconciled two extreme opinions that often separated the staunchly doctrinaire central officials and their more practically-minded provincial counterparts. More important, by the time the Macao settlement was understood by central government it had proved to be workable.³²

The Formula at Working Ching

After the Ming dynasty fell, the formula was continued for practical political reasons by the Ch'ing. Because of the staunch resistance of the Ming Loyalists under the banner of Cheng Cheng-gung from Formosa and overseas, there was a great political need to maintain a strong maritime defence. It was even more important to prevent collusion between foreigners and China's internal as well as external rebels. Lacking their own naval forces and experience in dealing with seaborne foreigners, and faced with military and economic exhaustion after the wars of conquest, the Manchu authorities felt it necessary to appease the Portuguese. It appeared the more necessary as the Manchu position in Guang-tung remained precarious in the dynasty's early years. Not yet subjected to the full weight of Confucian orthodoxy, the early Manchu emperors were moreover pragmatic in their attitudes toward trade. Accordingly, the Manchu emperors found the Macao Formula served their purposes very well.³³

The formula depended largely on the compliance and tranquility of the Portuguese. Although the Qing government had extended civil control over the Macau settlement, the Ming strategy of keeping the Portuguese under close surveillance was maintained. The two main premises of this strategy were that first, foreigners would be helpless when cut off from their food supplies, or simply made to obey by stopping trade with them, and secondly, that foreigners were to be prevented from collaborating with treacherous Chinese. The Westerners' dubious image had made it necessary to bring them within bureaucratic supervision. However, their potential collaborators, the dissident elements in the interior, had all the time proven to be a stronger motivation for the government's codification of regulations for trade in Macao.³⁴

Did the formula work well enough in the Ch'ing and if so, how and why? Of course, as long as the foreigners complied with the regulations, relations between foreigners and Chinese remained peaceful and friendly. Violation of the regulations only resulted in an intensification of security measures against the foreigners****. Since there were few eruptions of hostilities between the Portuguese community and the Chinese authorities, the evidence is that the formula worked very well. The Ch'ing local and provincial officials in fact did not anticipate that serious issues would arise. They remained as confident as their Ming counterparts that as long as the foreigners were prevented from collaborating with China's dissident elements, they were made helpless entities in Macao.³⁵

Consequently, the Ch'ing not only continued the Ming trend of strengthening the local defense system around the Macao area, but also successfully extended civil control over Macao's foreign settlement.³⁶ Thus there was the development of an elaborate mechanism of surveillance and control. This involved major Ch'ing innovation in the civil, military and legal administration of the Macao area, and a body of regulations governing the interactions between foreigners and Chinese in the area intended as internal security measures.³⁷ Thus a foreign presence was tolerated but not so much foreign influence as to undermine the loyalty of her subjects.³⁸

The Ch'ing experts on Macau evaluated the situation in very realistic terms****. In 1750, Chang Yen-tao, who had served in Hsiang-shan for years and was acting magistrate at the time, submitted a memorial to his superiors to illustrate how a careful study of the Portuguese in Macau would expose their vulnerability.³⁹ First of all, it was a long, hazardous, and rough voyage for foreign residents in Macau to return to Portugal. That is why many who had come did not intend to go back. Even if they were to be executed on the scene for committing crimes, their mother country could do nothing to avenge them.⁴⁰ Besides, numbering just about two thousand, the foreign population could do little harm to the neighboring areas, which were strategically and strongly fortified both on "land and at sea." They were but caterpillars wriggling in the petals of the lotus flowers," and thus, could be easily enveloped and over-whelmed.⁴¹ In addition, Macau was not capable of producing cereals or vegetables. It depended entirely on the hinterland for provisions. Once the barrier gate between Macau and the interior was closed, the foreign community in Macau would soon wither.⁴² According to Chang, the foreign community in Macau was fully aware of its situation. They managed to appear formidable but were in reality vulnerable and helpless.⁴³ That the foreign community could be starved into submission was no creative thought of Chang Yen-tao nor of the Ch'ing. It was already entertained during the Ming dynasty.

He also found, upon close examination, that the Portuguese did not bring their native products all the way from Portugal to China for trade. Macau only served as an entrepôt for trade. The Portuguese made profits by shipping Southeast Asian products to Macao in exchange for Chinese products which were in turn brought back to Europe. The Portuguese,

32 K.C. Fok, "The Ming Debate", p. 343

33 K.C. Fok, "The Macau Formula", pp. 315-316.

34 Ibid., pp. 313-314.

35 K.C. Fok, "Formula at Work", p. 223.

36 Ibid.

37 Ibid., pp. 193-213.

38 Ibid., pp. 171-213.

39 Liang Ting-nan, Yueh-hai kuan-chi, Fascimile ed. Taipei, 1968, ch'uan 28, pp. 9b-17b.

40 Ibid., p. 13b.

41 Ibid., p. 14a.

42 Ibid.

43 Ibid.

44 Ibid., pp. 14a-b.

therefore, did not bring forth cash to benefit the local economy but, instead, used Macau as a center of trade for their own profitable enterprises.⁴⁴

Chang then pointed out that in recent years the Portuguese trade was obviously in decline. Formerly, the number of foreign ships engaged in the Macau trade was set at twenty-five. Recently, for various reasons, whether because of loss at sea or shortage of capital, the number of ships participating in the trade had been sharply cut down to half the original number. On the other hand, the income derived from taxing other foreign ships at Canton was increasing day by day. This was good evidence that the trade brought by the Portuguese to Macau had lost its former importance and was no longer a major contribution to the local economy.⁴⁵ Besides, the Portuguese at Macau had for a long time, monopolized the trade with China and thus antagonized merchants from other foreign countries who were more than willing to increase the volume of their trade with China. On the other hand, if the Portuguese were denied their trade opportunities in Macau, their resources would be exhausted. Chang therefore concluded that “It is but apt that they look up to us and follow our orders while there is no reason for our anxiety [over them].”⁴⁶

There remained the danger that their Chinese collaborators might lend them assistance. And the group most likely to do this would be the Chinese Christian converts. But to Chang Yen-tao, even though the Chinese converts had been attracted to the Catholic religion, their conversion had been more for monetary gain than for ideology. Apart from its teachings hostile to ancestor worship, the Catholic doctrine could do little harm to the Chinese people. Chang was confident that when the Portuguese were confronted with acute economic problems, the influence of their religion would soon vanish. This could be ensured by the strict enforcement of the prohibition against the practice of the Catholic religion by Chinese in the areas near to Macau.⁴⁷ When there were safeguards that the Portuguese could not elicit assistance from Chinese natives, the foreigners would remain truly vulnerable and pitiable entities in Macau. As Chang put it, “once the Portuguese step out of Macau they are like fish out of water.”⁴⁸

How much do these descriptions about the Portuguese in Macau correspond with the real situation?

The waxing and waning of the overseas trade, as quite correctly comprehended by Chang Yen-tao, accordingly affected the fortunes of the whole Portuguese community. Chang’s description of Macau as an entrepôt was also correct.

Chang Yen-tao’s account was written in 1750. By this time the foreign trade in Macau had long passed its golden periods. Chang’s report that the Macao trade no longer brought in as much income to the Guang-tung government as the Canton trade certainly gives an accurate picture of the commercial activities of the two cities. The estimation of Chang that when the prosperity of Macau declined the influence of her Christian community would vanish was also based on sound judgment. A seventeenth century Western eyewitness account showed that the Macau Senate had to give full support to the ecclesiastic authorities.⁴⁹ All the Christian chari-

table activities and institutions were accordingly financed by funds derived from the import duties. When trade declined such activities naturally suffered setbacks.

Chang Yen-tao's assumption that the Portuguese at Macau were quite helpless was based on his realization that the foreign community had developed into an independent community. Macau had for long managed to exist without any help from Lisbon or Goa whether in terms of financial or military aid. By 1750, the Portuguese had been living in Macau for almost two centuries. In the course of these years, the Macanese had absorbed considerable admixture of Chinese blood. Because of the almost total absence of European-born Portuguese women since the settlement was founded it was inevitable that all Macanese families bore a strong streak of Eurasian blood.⁵⁰ Socially and ethnically, they were a community by itself - to be identified neither with that of Portugal nor with the one in Goa. The fact that the Câmara tried to keep Macau truly a self-governing settlement also helped to alienate her from those Portuguese viceroys and governors who tried to strengthen the Crown's control over this distant settlement. The Viceroy Count Linhares in his letter to the Governor of Macao in 1634 openly denounced the citizens as being greater enemies to the Crown than were the Dutch⁵¹. Another similar allegation came from the remark of an ex governor of Timor in 1708: "*The people in Macau are the most unworthy vassals that Your Majesty has in all your conquests, and whereas they deserve so little, they are withal those who enjoy the greatest freedom, since they are not subject to any form of taxation.*"⁵² Little wonder therefore that Chang Yen-tao should declare in 1750 that "*even if they were executed on the scene for committing crimes, their mother country could do nothing to avenge them*"⁵³.

Due to the vicissitudes of trade in Macau and the settlement's gradual alienation from not only Portugal but also Goa, there are sufficient grounds to believe that Chang Yen-tao's comment about the compliance of the Portuguese was not exaggerated. The Calvinist Scottish "Interloper," Alexander Hamilton, visited the Portuguese settlement at the turn of the seventeenth-eighteenth centuries. Later, he described the situation of Macau as he saw it with his slyly malicious wit:

The forts are governed by a Captain General, and the city by a burgher, called the Procurador, but, in reality, both are governed by a Chinese mandarin, who resides about a league out of the city, at a place called Casa Branca. The Portuguese shipping that come here, are admitted into their harbor, and are under the protection of the town; but the Chinese keep the customhouse and receive customs for all goods imported [sic]⁵⁴.

Another description complementing that of Hamilton's was given in the Bishop of Macao's letter dated 20 December 1803. "*The city of Macau belongs to the Portuguese in new only. The Portuguese do not own a piece of land there, nor can they buy it, nor build a wall, open a window, or repair the roofs of their own houses, without a license from the Mandarins, which has to be bought at*

45 Ibid., pp. 14b-15a.

46 Ibid., p. 15a.

47 Ibid., p. 15b.

48 Ibid., p. 15a.

49 Charles Boxer, *Portuguese Society in the Tropics*, p. 47.

50 Ibid., p.66.

51 Ibid., p. 70.

52 Ibid.

53 Liang Ting-nan, *ch'uan* 28, p. 13b.

54 Alexander Hamilton, *A New Account of the East-Indies, 1727*, ed. W. Forster, London, 1930, Vol. II, p. 116.

55 Manuel Teixeira, *Macau e a sua diocese*, II, p. 310.

a high price.”⁵⁵

The compliance and appeasement policy of the Macao Senate was largely responsible for the successful working of the formula. Realities in fact offered the Portuguese little alternative. Neither the viceroys at Goa nor the King at Lisbon ever sent them - nor indeed could they have sent - the naval and military forces which made the “gunboat-policy” of the British a practical proposition in the nineteenth century. According to a distinguished historian of the Portuguese community in Macau, the situation of Macau prior to the Opium War period was essentially that as described in a 1635 account:

The peace that we have with the king of China is as he likes it, for since this place is so far from India, and since he has such vastly greater numbers of men than the most that the Portuguese could possibly assemble there, never did we think of breaking with him whatever serious grievances may have had; because the Chinese have only to stop food supplies to ruin our city, since there is no other place nor means of obtaining any.⁵⁶

There were many actual cases of compliance of the Macao Senate to the demands of the Chinese throughout this period. It should be borne in mind that there were often severe critics of the Senate’s appeasement policy from the Macau population itself. A good example was the bellicose Jesuit community. In 1621 the Jesuits were ordered by the Chinese authorities to pull down some of the buildings they were erecting on the Ilha Verde in the harbor of Macao. The senators were prepared to comply with this demand. The rector of the Jesuit college, however, denounced the weak line taken by the senators and maintained that the Chinese would back down if they were stoutly resisted. The Senate rejected the bellicose arguments of the Jesuits and finally settled the case as they settled all similar disputes by showing a mixture of simulated obedience, secret compromise, and bribery. The reason was simple. In any event the Senate considered that they could not resist the Chinese by force, nor could the colony survive a threatened ban on the trade with Canton. It is interesting to point out that these were exactly the arguments put forth by Chang Yen-tao but only in different terms.

Mutual Economic Benefits Between China and The West

Did the Macao Formula bring about mutual economic benefits to both the Portuguese and Chinese alike for which it was presumably designed? It is necessary to recall that when Viceroy Chang Ming-kang and his advisors such as Huo Yu-hsia opted not to evacuate the Portuguese out of Macao one main reason was it would deprive Canton (through Macao) of a significant income from customs dues leading to economic depression. Huo stated very clearly why he considered the evacuation of Portuguese a mere mediocre policy; “In the last hundred years the military expenses of Kuang-tung and Kuang-hsi provinces had been paid off by income derived from (maritime) trade. This income can be compared to that of a large district (hsien).

Once it (the trade) is abandoned, how can the expenses of military operations be met?⁵⁷ Besides, the livelihood of a large section of the coastal population was dependent upon their participation in the trade with the Portuguese. This was very vividly reflected in the words of Lin Hsi-yuan, who was a native of Fu-chien and had served in various administrative posts with the Kuang-tung government: “Each time the Portuguese came they brought with them native products such as pepper, sapan-wood, garu-wood, ivory, perilla-ocymoides oil, frankincense, sandal wood and other incense to sell to the Chinese people in the border at a very cheap price. But what they had spent instead on the Chinese through their daily needs of provisions such as rice, noodles, pigs and chickens was several times the ordinary price. That is why the Chinese people are anxious to do business with them.”⁵⁸

For the Chinese, to start with, the presence of the Portuguese in Macao from about the middle of the sixteenth century offered people in the Pearl Delta area sustained opportunities for a sizeable volume of trade, which introduced a new level of marketing activity. The Portuguese brought to China new food and cash crops. They also introduced new products, which were then taken up by local Chinese artisans and copied.⁵⁹ The trade between Macao and Canton also brought technical changes in the form of new manufactures and specialization or greater specialization in the production of textiles, including the processing and re-export of imported raw materials. For example, the import of silk from Chekiang into the Pearl River Delta area in order to manufacture finer silk products for export was well known in the Ming.⁶⁰

It is necessary to point out that the Portuguese in Macao not only generated a great demand for Chinese products as export items but also daily necessities for their own consumption. Among export items, Chinese silk, porcelain, and finished iron products were particularly in high demand by the Portuguese for their Japanese market. In 1603 for example, one Portuguese carrack alone was found to have been laden with over 1,400 piculs of raw silk besides other merchandise for Japan.⁶¹ Because none of the Portuguese living in Macao was farmers, they did not know how to grow food for themselves and had to rely entirely on Chinese peasants of the neighbouring districts for food and supplies. Notable among such supplies were rice, sugar, fruits, fowls, vegetables and others.

The population of the Portuguese in Macao started with just one or two thousand but soon shot up to tens of thousands. In 1717, the Viceroy of Kwangtung and Kwangsi reported to the throne that “according to your humble servant’s estimate, they [Portuguese] consume over 20,000 *shih* of rice every year, not counting wheaten flour.”⁶²

Of even greater consequence, the Portuguese also brought into China through Macao a huge amount of silver for a consistent period of time from the 1560s on. A rather conservative estimate by specialists in the field put the amount of Japanese silver shipped in by Portuguese through Macao at 400,000 taels per year in the 1580s and 1,000,000 or more in the early 1600s.⁶³

From the above, there is no doubt that the Portuguese trade through Macao brought in

56 Charles Boxer, *Portuguese Society in the Tropics*, p. 53.

57 Ho Yu-hsia, pp. 82a-83b.

58 Lin Hsi-yuan is a native of Tung-an Fu-chien. His biography can be found in Carrington Goodrich, Chao-ying Fang (eds.), *Dictionary of Ming Biography, 1368-1644*, 1976, VI, pp. 919-922; Chen Tzu-lung, et al., *Ming-Ch’ing-shih wen-pien*, n.p. Peking, 1962, ch’uan 165, p. 1673

59 Huang Qi-chen, *Ao-men li-shi*, Macao, 1994, pp. 91-92.

60 Ibid.

61 Charles Ralph Boxer, *Fidalgos in the Far East*, Oxford University Press, 1968, p. 50.

62 Jonathan D. Spence, *The Memory Palace of Matteo Ricci*, Viking Penguin, Inc., 1984, p. 178.

63 Jonathan d. Spence, and John E. Wills, Jr., eds., *From Ming to Ch’ing: Conquest, Region, and Continuity in Seventeenth Century China*, Yale University Press, 1979, p. 213.

great wealth to the Chinese in the Pearl River Delta area. While it is impossible to re-establish the exact value of the trade, sufficient documents still exist to give a fairly good glimpse into the amount of the money that flowed into the Chinese hands. A Portuguese carrack heading for Japan in 1582 was recorded to have had 200,000 ducats' worth of goods on board.⁶⁴ During the heyday of its commercial activities Macao had twenty-five of such ships even though the number was reduced to only half by the middle of the eighteenth century.⁶⁵ In 1604 one "Great Ship" which lay at anchor at Macao was seized by the Dutch and the ship was found to have a cargo of silk valued at two million Chinese dollars.⁶⁶ Again in August 1636, four Portuguese galiots were recorded to be laden "to [the] sinking point" with over 2,350 chests of silver valued at nearly 7 million florins according to a contemporary Dutch source.⁶⁷

From these accounts it is but safe to say that in its heyday the trade had been very lucrative for the Portuguese. The chief source of income of the governing body of the Portuguese at Macau, the *Senado da Câmara* of Macau (The Macau Senate), was the duties levied on all goods brought into Macau in Portuguese ships. A good description of Macau during its heyday was given by the Secretary of the *Câmara* in November 1623. Macau was described as a city in

*size, in splendid buildings, and in number of householders [moradores] one of the most important in this Orient, containing more than 400 married Portuguese men, ... as well as many people of various nations who come and go, living here for most of the year, on account of the great trade and commerce with many regions of the East.*⁶⁸

Evolution of an Elaborate Mechanism of Control and Surveillance

Abundant scholarly works have been written to show that the early Ch'ing sovereigns were prompted by a fear of challenges to their power to exercise supreme authority over all of their subjects within the country.⁶⁹ More recently a well-researched work convincingly showed that the early Ch'ing emperors also harboured consistent fear and wariness over the Southern Sea frontier where Macao is located.⁷⁰

As a result of the early Ch'ing emperors' fear of actions by Chinese rebels on the Southern Sea frontier and their general desire to consolidate Manchu power together with the wariness of early Ch'ing officials over the unsavoury image of the Portuguese, the early Ch'ing government not only maintained the Ming precautions against Portuguese collusion with undesirable native elements but also sought to tighten up control of the Macao area. Consequently, the Ch'ing not only continued the Ming trend of strengthening the local defense around the Macao area but also successfully extended civil administrative control over the Macao settlement.⁷¹ Accordingly, the number of high-ranking military officers and civil officials there greatly increased. The military and civil jurisdictions were also more clearly designated resulting in a more responsible and more effective administration over the area.⁷² Thus the continued implementation of the Macao Formula in the Ch'ing period resulted in the build-up

of an elaborate mechanism of surveillance and control. This mechanism not only involved major Ch'ing innovative changes in the civil, military and legal administration of the Macao area, but also a body of regulations governing the interactions between foreigners and Chinese in the area.⁷³ These regulations were sustained over a considerable period of time to cope with problems that arose in the enforcement of the Macao formula. A careful analysis of the contents of these regulations reveals that they were intended as internal security measures. For example, a large part of these regulations was directed towards tightening up control of local Chinese who dealt with foreigners in Macao – especially the Chinese pilots, ship builders, merchants and Chinese Christian converts. The assumption was that these Chinese were greatly needed by foreigners for their services. They were, therefore, the most indispensable to foreign ambitious designs and hence the most detrimental to the local security system. The same analysis shows that other Macao regulations were aimed at prohibiting contraband goods from being imported into or exported out of Macao. These regulations were in fact enforced in accordance with the general Ch'ing measures to control the imports and exports of items which might serve as war materials for anti-dynastic purposes or the excess outflow of which might be detrimental to a healthy Chinese economy. They too were clearly intended as internal security measures.

It seems paradoxical that the Ch'ing should show such great measures of optimism and confidence in controlling the Portuguese but at the same time seek to intensify the control measures. Chang Yen-tao, the early Ch'ing expert on Macao, has a clue to this phenomenon. Despite his optimistic utterances, Chang Yen-tao insisted that the strategy of containment, constant vigil, and military readiness should never be relaxed because of the dreadful danger that lurked there permanently - the alliance of foreigners with Chinese deviants.⁷⁴

This accounted for the logic of “*tu-jian fang-wei*”, (to forestall the growth of abuses by strict enforcement of preventive measures), that dominated the thinking of Chang Yen-tao and other Ch'ing local and provincial officials who were familiar with foreign matters in Macao.⁷⁵ This logic was put in succinct fashion by the Chien-lung Emperor himself in his imperial essay on how to deal with foreigners, issued in 1777. “At the present time Our Empire is at her peak. The various foreigners fear and live in awe of our power so that they dare not show disobedience. However, we must forthwith enforce preventive measures to forestall the growth of abuses.”⁷⁶

At the local and provincial levels, this logic denoted a certain congruence between the military posture and coercive power needed for defense around a peripheral area like Macao and the normal objectives of field administration. The Chinese populace at large in Macao and its vicinity consisted of disproportionate numbers of smugglers, outcasts, political exiles, converts and other deviants. In dealing with such elements, normative strategies of administration were largely ineffective, and the able administrators necessarily relied on policies of containment, repression, and strict preventive measures. A more generic formulation of it might be phrased as the responsibility of the Ch'ing administrators dealing with matters in Macao to see the foreign relations conform to the strategic policies of the court.

64 Ibid., p. 173.

65 Ibid.

66 George H. Dunne, *Generation of Giants: the Story of the Jesuits in China in the Last Decades of the Ming Dynasty*, University of Notre Dame Press, 1962, P. 104.

67 Charles Ralph Boxer, *The Great Ship from Amacou*, Instituto Cultural de Macau, 1988, p. 147.

68 Charles Boxer, *Portuguese Society in the Tropics*, pp. 46-47.

69 See classic works such as Huang Pei, *Autocracy at Work: A study of the Yung-Cheng Period, 1723-1735*, 1974; Silas Wu, *Communication and Imperial Control in China: Evolution of the Palace Memorial System, 1663-1735*; Lawrence Kessler, *Kang-hsi and the Consolidation of Ch'ing Rule 1661-1684*, 1976; Harold L. Kahn, *Monarchy in the Emperor's Eyes: Image and Reality in the Ch'ien-lung Reign*, 1971.

70 Fok Kai Cheong, “Formula In Crisis”, pp. 35-46.

71 K.C. Fok, “The Macao Formula”, pp. 140-170.

72 Ibid.

73 Ibid., pp. 171-213.

74 Liang Ting-nan, Yueh-hai kuan-chi, Fascimile ed., Taipei, 1963, Vol. 28, pp. 16a-17b.

75 This term is often used in the literature related to the local defence of the Macao area.

76 Ch'ing Kao-tsung shih-lu, Vol. 1021, pp. 11b-15a.

If the assumptions put forward in the previous paragraphs are to be accepted and if Ch'ing management of the West in the pre-Opium War period is to be understood in the Macao formula framework, considerable tolerance with regard to the presence and influence of foreigners would seem to have been the order of the day. Foreigners in Macao were also often treated with fairness and benevolence under the policy of mutual economic benefits and mutual respect for each others' culture. But in the areas of the actual execution of policies, such was not always the case, particularly when the behavior of the foreigners seemed a threat. Under the Macao Formula, even though there were no major eruptions of hostilities between the Portuguese community and the late Ming and early Ch'ing governments, there were various occasions when Sino-Western relations were strained in Macao. One was the crisis over the spiritual quest for an alien faith, that is, Catholicism, by Chinese residents in Macao and its immediate vicinities. It has been pointed out that Ch'ing emperors in the period under discussion were particularly keen on consolidating Manchu sovereignty. Politically, they were very suspicious of and resistant to assemblies of any kind. The assemblage of Chinese Catholic converts in the church for religious activities was no exception. An edict of the Chien-lung Emperor in 1746 to stop such activities led to the local officials in Hsiang-shan district closing down one Catholic seminary, the *Nossa Senhora do Amparo*, in Macao, which sparked off resistance from the foreign community. It was this kind of crisis arising from the determination of the central government to stamp out the spread of Catholicism among the Chinese populace by underground missionaries that strained Sino-Portuguese relations to near breaking point. The affair of the *Nossa Senhora do Amparo* in 1747 serves to illustrate how the principles and rationale behind the Macao formula were actually being applied to manage foreign affairs, including the spread of the Catholic faith in Macao and its immediate vicinities. This case study particularly sheds light on the flexibilities and discrepancies in the actual execution of the Macao formula. More important, it well illustrates that political considerations were the primary factor leading to the early Ch'ing emperors' suppression of Christianity for its subjects.

Tolerance for Foreigners' Spiritual Faith

Before one takes a thorough look into this affair of the *Nossa Senhora do Amparo* it is important to bear in mind that there was a pattern of relaxation and regimentation of prohibitive measures against the activities of Catholic missionaries by the early Ch'ing government. Whenever Catholicism was denounced by the Ch'ing government, Catholic missionaries in the interior were rounded up and sent either to Kuang-tung or Macao and forbidden to return to the interior. Even though the prohibition against missionaries to set up churches and preach their faith to the Chinese in the interior remained in force,⁷⁷ Macao all the time remained the only place where both Portuguese and foreign missionaries were left alone to practice their religion and set up their own churches. The toleration of Christianity in Macao became more secure after the Kang-hsi emperor issued an edict proclaiming religious toleration for westerners in China in 1692. Security precautions against the Portuguese in Macao, however, remained

tight.⁷⁸

From the time when the Yung-cheng emperor revoked Kang-hsi's proclamation of religious toleration for the missionaries in the interior and banished them to Canton, the concentration of missionary activities began to focus on Canton and its vicinities. Macao was accordingly affected. The relationship between the Chinese local officials and the foreign community in Macao was often strained by the Chinese authorities' hunt for Chinese Catholics at large in Macao, or by foreign Catholics who had offended the Chinese law and were seeking refuge within the Macao community. What increasingly worried the Chinese local officials in the area was not so much the heterodox worship but the political involvement and intentions of these activities. Here they simply bore in mind the views of either the Yung-cheng or Chien-lung emperors. The Ch'ing emperors in fact harboured no particular resentment of Christianity nor of the missionaries who preached it. Political considerations were the primary factor leading to Yung-cheng's suppression of Christianity. Since this foreign religion required Chinese converts to give up their traditional native practices, such as ancestor worship, to pay reverence only to the Christian God and to take orders from the Pope who resided in Rome, it unavoidably challenge the Manchu ruler's authority.⁷⁹ Repeatedly, in imperial edicts, Christianity was feared for its power to corrupt the minds of the people. To be specific, Christianity was considered heterodox, and with any proven heterodoxy there were certain significant corollaries to follow. One was the belief that heterodox teachings and practices fostered social unrest. In the words of one recent historian, "when men and women mingled indiscriminately at public gatherings, and peasants and artisans were enticed away from their work by the seductive babbling and obscene literature of religious imposters, normal human bonds were shattered and the harmony of the social order was disrupted."⁸⁰

A second corollary, and perhaps an even more important one was the abiding notion that heterodoxy posed a political threat to the dynasty. If the chief interest and aim of the Ch'ing dynasty was its continued existence, what greater source of anxiety could there be than those groups or activities which most threatened its perpetuation? Since the rebellions which endangered the political lives of dynasties were regularly associated with heterodox teachings in Chinese history, what could be more logical than to ban these teachings and place the severest limitations on all varieties of popular organization? The past would serve to testify that both Taoism and Buddhism under certain circumstances could supply a unifying force among the elements of the lowest social stratum and could organize those elements into popular revolts.⁸¹ To the Manchu monarchs in early Ch'ing, each of whom worked so hard to consolidate Manchu authority, loyalty of the subjects was most important. And so any religion, Chinese or foreign, should be judged as orthodox or heterodox according to whether it could promote or divert loyalty. Yung-cheng made it quite clear and straightforward in his sacred edict: "It has been the secret design of all the religions that have been instituted in the world, Chinese and foreign, to regard loyalty to the ruler and filial piety to parents as fundamentally essential..."⁸²

77 Ch'ing Sheng-tsu shih-lu, Vol. 28, pp. 6a-b; Vol. 31, pp. 4a-5a.

78 See Verbiest et al. Hsi-chao ting-an, translated in Fu Lo-shu, A Documentary Chronicle of Sino-Western Relations (1644-1820), Arizona, 1966, p. 105.

79 See Huang Pei, Autocracy at Work: A Study of the Yung-cheng Period, 1723-1735, 1975.

80 Paul Cohen, China and Christianity: Missionary Movement and the Growth of Chinese, Anti-Foreignism, 1860-1870, 1963, p. 16.

81 Ibid., p. 17.

82 Shang-yu nei-ke, n.p., n.d., Vol. 14, p. 14a-b.

The Christian religion was found to have diverted the loyalty of China's most trusted subjects, the imperial clansmen, away from the throne and, therefore, was to be suppressed as heterodoxy. "Look at the sons of Sunu, Wu-er-chen and the others, stupid, benighted and lawless fellows who turned their backs on their ancestors and rebelled against the throne and even voluntarily treading the instruments of death without remorse. Was this not abnormal [threatening]?"⁸³

The famous Chien-lung edict to suppress Christianity was issued in 1746 as a result of the Fu-chien governor's memorial that certain Portuguese missionaries were suspected of stirring up the local people in the Fu-ning prefecture of Fu-chien.

Even though Catholic missionaries were discovered only in the Fu-ning prefecture in Fu-chien, the emperor expressed keen concern that the situation might secretly spread to other provinces as well and so ordered prompt action be taken to ferret out all underground missionaries throughout the empire.⁸⁴ The imperial decree was issued on August 12th 1746 to the grand secretaries and reached the Viceroy and Governor of Guang-tung on September 20.⁸⁵ The decree specified that all district magistrates had to make an immediate investigation into any Christian suspect within their area of jurisdiction. Negligence and procrastination on the part of the viceroys and governors to enforce the decree would lead to their impeachment and punishment.⁸⁶ For this reason, the instructions were received by the Hsiang-shan magistrate, Chang Ju-lin, on September 25th.⁸⁷

Chang Ju-lin therefore handled the case with extreme care right from the start. After all, the Hsiang-shan district was within the easy reach of the Portuguese in Macao and therefore highly susceptible to the corruptive practices of Catholicism. Moreover, Macao was within the jurisdiction of the Hsiang-shan magistracy. The emperor had paid keen attention to this matter while both the viceroy and governor of Guang-tung certainly were putting pressure on Chang not to fail in the matter. After a thorough investigation, Chang reported back on December 17th that no missionaries had been discovered in the district.⁸⁸

Nevertheless, a party of Chinese was reported by Chang to have been preaching the Christian faith in Macao inside a church (the Seminary of *Nossa Senhora do Amparo*) built specially for Chinese worshippers.⁸⁹ The party responsible for the religious activities was identified as a Mr. Lin, who was in charge of the seminary, together with his son and disciples, and Chou Shih-lian, the owner of several trading vessels in Macao.⁹⁰ Every year Lin's church served as the congregational place for Chinese converts who came from various other neighboring districts to observe the Lent festival. Occasionally there were some who came from neighboring provinces.⁹¹ Having uncovered this activity, Chang Ju-lin immediately ordered the arrest of Lin, Chou and their accomplices who then went into hiding.⁹² Chang accordingly petitioned the Guang-tung Governor for permission to either close down or demolish the church. As for those Chinese who had joined the religion one way or another, they should be forgiven if they gave it up immediately. Chang's memorial is a very important document

to illustrate how the principles and rationale behind the Macao formula were actually being applied to manage affairs involving foreigners in Macao, and therefore deserves a thorough analysis.

It took Chang over two months to complete a thorough investigation into Chinese converts in the district and in Macao. He accordingly reported back to the Kuang-tung Viceroy and Governor. The report was filled with precise and accurate information about the activities of Chinese neophytes in Macao. Chang also formulated proposals on how to deal effectively with these converts without forfeiting the principles of tolerance and benevolence to foreigners and clemency to the Chinese subjects. The deliberations of the viceroy and governor almost completely endorsed the proposals of Chang who then lost no time in executing them.⁹³ Chang, however, emphasized that the matter of suppressing Chinese converts going to church in Macao needed to be handled quite differently from suppressing foreigners preaching their religion in the interior. Foreigners had been allowed to practice their religion in Macao for a long time and for this reason it had been a long established practice for Chinese in Macao to become converted. It would require more attention and prudence to do away with it completely.⁹⁴

According to Chang, it takes more consideration to deal with those Chinese who live in Macao. "They have investments there and have for long engaged in transactions with foreigners. If they were forced to leave suddenly it would be difficult for them to settle with their wives and children. If we force them to be separated it would be too inhuman. But if we allow them to bring back foreign women (into the interior) then the worries will be that their foreign religion may spread even more easily. I wonder, therefore, whether they ought not to be treated separately (according to the following manner). Those who are not married to foreigners and have not invested in any business partnership with foreigners but are practicing the (foreign) religion and living (in Macao) alone by themselves should be instructed to renounce their religion and then return to their native village. Those who have invested in business partnership with foreigners but are not married to foreign women should be instructed to settle their business and renounce their religion within a year. But those who have married to foreign women and, at the same time have business investments in Macao, and also those who work (for foreigners) as craftsmen and soldiers, etc., they should all be instructed to renounce their religion if they are dressed in Chinese costumes. If they are dressed in foreign costumes, they should be instructed to give up their foreign attire first and then renounce their religion. All should, however, return to their native village with their children on the day their foreign wives pass away. And until they return to their native village they should not be allowed, as before, to go out to sea for trade or work as sailors and foreign mercenaries. They should be ordered to change their profession. As to those who are serving as compradors and interpreters, since their services are indispensable to foreigners in Macao, they need not be ordered to change their profession. It will suffice that they be ordered to give up their foreign attire and renounce

83 Ibid.

84 Bao Yu, Hsiang-shan hsien-chi, in *Chung-shan wen-hsien*, Vol. 8, 1750, p. 27a.

85 Ibid., p. 26b.

86 Ibid., p. 27a.

87 Ibid., p. 34a.

88 Ibid., p. 28a.

89 Ibid.

90 Ibid., p. 28b.

91 Ibid., pp. 28b-29a.

92 Ibid., p. 29a.

93 Fok Kai Cheong, "Formula In Crisis", p. 62.

94 Bao Yu, Vol. 8 p. 31a.

their religion. They must, as before, secure guaranty and leave it with both the Chinese headman and the Portuguese for inspection. It should be forbidden for Chinese in Macao to wear the coiffures of a foreigner or visit the houses of foreigners.”⁹⁵

The Guang-tung Viceroy and Governor jointly dispatched their deliberations approving of Chang Ju-lin’s proposed measures on March 12th, 1747.⁹⁶ Upon receiving such approval, Chang Ju-lin immediately sent a proclamation of warning to the Portuguese *vereador* in Macao.⁹⁷ Following this, Chang dispatched his officials, headed by the sub-magistrate (*hsun-chien*,) and the assistant magistrate (*hsien-cheng*), together with some wealthy local merchants to Macao to deliver personally his instructions to the Portuguese.⁹⁸ In addition, the officials were to supervise and officiate at the closing down of the Seminary of *Nossa Senhora do Amparo*.⁹⁹ The Portuguese officials were willing to comply with the magistrate’s deliberations, but some bellicose Catholic priests who feared such compliance might bring an end to their religious activities were not. Resistance was soon mobilized.¹⁰⁰ Under pressure from the religious community, the *procurator* in Macao had to send a dispatch to the Hsiang-shan magistrate protesting against the closing down of the church, stating that, even though the church was patronized by Chinese, it was in fact built by the Portuguese and, therefore, Portuguese property. Since Portuguese were paying an annual rent for the use of the territory of Macao they had the right to build their own church.¹⁰¹ In the face of such rebellious behavior, Chang hastily sent an instruction to the sub-magistrate who was still in Macao to admonish the Portuguese to obey without further trouble.¹⁰² Chang then went to Macao himself to decree that the Portuguese had to either submit or quit Macao.¹⁰³ The result was an inevitable submission on the part of the Macao Senate to the Chinese order.

There was, however, additional significance to this case, for it also served as a good illustration of how the principles and rationale behind the Macao formula were actually applied to manage foreign affairs in Macao. The whole issue hinged on the fear of Christianity corrupting the minds and manner of the Chinese subjects. To the politically sensitive Manchu emperor, such influence was tantamount to undermining the loyalty of his Chinese subjects. Chinese converts were thus classified as suspects who might be in political opposition to the dynasty. They must be sought out and dealt with, and even more so, when they were reported to have very close relations with foreigners. As already has been emphasized, the prevention of China’s own dissident elements from entering into unsanctionable relationships with foreigners had been an essential goal of the Macao Formula. The ways proposed by Chang Ju-lin to deal with Chinese converts in the neighboring districts of Hsiang-shan and within Macao were a good manifestation of this policy. The suspects were classified according to the degree of their corruption, which was to be determined by the intimacy of their relationship with the foreigners. The assumption here was that the closer their relationship to foreigners, the greater the need for the government to secure their guarantee of loyal conduct and allegiance to the throne.

It is necessary to note that even in the midst of such political pressure to secure the area of Macao against possible anti-dynastic rebels, the ideals of tolerating the foreigners' presence and influence were maintained. Those Chinese converts who were residing in Macao and had foreign wives were not required by the authorities to return to their native village until after their wives had passed away. Those who engaged in transactions with foreigners in Macao were not forced to leave immediately. They were given ample time to settle their business with foreigners before they were required to return to their native villages. All the remedial and precautionary measures demonstrated the intent to protect the interests of foreigners. They bespoke of clemency and leniency to be extended to the Chinese who might have gone astray. As soon as such Chinese overcame their heterodoxy, which was identified as a symbol of disloyalty, they could be forgiven. However, were the foreign community to mobilize to give protection to the Chinese suspects in opposition to the emperor's will, it would enhance the seriousness of the political threat. At such a point, no compromise could be made and force would have to be used to maintain national security. It is important however, to emphasize that during this incident even though the Portuguese resisted the instructions of the Ch'ing government, they were not immediately punished nor driven away. They were persuaded to reconsider and follow instructions.

As mentioned earlier, the workability of the Macao formula depended largely on the compliance and tranquility of the Portuguese in Macao. It would be misleading, however, to think that this was all the formula entailed in keeping the foreigners under control as demonstrated in the incident of the Seminary of *Nossa Senhora do Amparo*. The great fear of the Ch'ing bureaucracy, as in the case of the Ming, remained, in fact, directed not toward the Portuguese themselves per se but to those "treacherous" and "traitorous" natives who connived with and collaborated with the potential invaders. The rationale that without the connivance of local Chinese the danger of foreigners violating Chinese rules would be minimized was self-evident in the series of major codes of regulations enacted throughout the Ch'ing to enforce the policy of "*tujian fang-wei*", the main features of the Macao Formula. During the incident of the Seminary of *Nossa Senhora do Amparo*, foreign missionaries were suspected of inducing Chinese subjects to deviate from their loyalty to the throne. Chinese Christian converts in Macao and its vicinities were considered the most indispensable to such foreign ambitious designs and hence, the most detrimental to the local security system.

To recapitulate, by the second half of the eighteenth century, under the Macao Formula, the Chinese Christian converts among other groups such as the pilots, ship-builders, merchants, and Tanka population, were made the special targets of the control and preventive measures. For their services to foreigners, when goaded by disloyal aims, could greatly jeopardize national security. Chinese Christian converts could be used as conveyors and carriers of heterodox ideologies which might be detrimental to the loyalty which the early Manchu so anxiously expected of their subjects. Chinese converts, accordingly, had to be carefully super-

95 Ibid., pp. 29a-30b.

96 Ibid., pp. 31a-33b.

97 Ibid., p. 35a.

98 Ibid., pp. 38a-b.

99 Ibid., p. 38b.

100 Charles R. Boxer, *Fildagos in the Far East 1550-1770*, 1968, p. 224.

101 Bao Yu, Vol. 8, p. 36a.

102 Ibid., pp. 36a-b.

103 Ibid., pp. 39a-40a; Montalto de Jesus, *Historic Macao*, 1902, p. 178.

vised by the government in their activities to help retain their loyalty which was believed to be instrumental to the maintenance of national security and welfare. One year after the promulgation of the 1749 code, Chang Yen-tao, the early Ch'ing expert on Macao affairs, strongly urged all local officials to strictly enforce the prohibition against the practice of the Catholic religion by Chinese in the areas near Macao in order to successfully keep the foreigners in Macao under control. He particularly emphasized that this enforcement would effectively minimize the chance of foreigners colluding with people from the interior on the one hand, and would serve to ease tensions that might have arisen between the Chinese and the Portuguese communities on the other. "If such heterodox religion [of the Portuguese] can be prohibited forever, in the long run, these foreigners [in Macao] will be able to live in peace with our common people in the Interior."¹⁰⁴ Here Chang simply reflected or reinforced the views of either the Yung-cheng or of the Chien-lung emperor's. The strategy of containment and constant vigil should never be relaxed. The Ch'ing emperors in fact harboured no particular resentment of Christianity nor of the missionaries who preached it. Political considerations were the primary factor leading to the suppression of missionaries preaching Catholicism to the Chinese people because it tampered with the loyalty of their subjects. In the deliberations to end the crisis arising from the Affair of the *Nossa Senhora do Amparo*, the principles of tolerance and benevolence to foreigners were maintained. There was still sufficient respect for foreigners to worship their own religion on Chinese soil. Only Chinese subjects were barred from practicing the foreign religion. Through this incident the Ch'ing clearly established the limitations that set boundaries that foreigners in Macao could not overstep without endangering their commercial profits and their stay in China. In short, foreign presence was tolerated by the Ch'ing and to some extent foreign influence but definitely not so much foreign influence that might undermine the loyalty of her subjects.

Historical Significance of the Macao Formula

From the discussions above it is quite clear that the Macao Formula was shaped by a policy of pragmatism and tolerance to accommodate the needs of special historical circumstances to make economic gains compatible with dynastic and national security. Under the Macao Formula, the Portuguese were able to remain until the handover of Macao back to China in 1999. As a result, the Portuguese in Macao remain today the only Westerners who have had the key to successful trading and cultural relations with China for a continuous, prolonged period of time. For over four hundred years, a Chinese policy of accommodation and benevolence and tolerance combined with Portuguese compliance and tranquility has been the successful formula for the realization of mutual economic interests and mutual respect and tolerance for each other's culture and religion. Indeed in its over four hundred years of existence, Portuguese Macao remained the only gateway kept open all the time to the outside world for modern China. In fact for some four hundred years there had been very few eruptions of hostilities and

even fewer cases of bloodshed between the Chinese and Portuguese in Macao where the two communities have lived in relatively “great harmony and amity” under the formula of “mutual benefits, mutual tolerance and mutual respect”.

The historical significance of the Macao Formula is that it not only has proven to be a successful formula for the realization of mutual economic interests between China and a Western country but in human terms, it has also been instrumental in achieving for Macau harmonious and peaceful coexistence and cooperation among several cultural traditions. The formula also, therefore, accounts for the little-recognized historical fact that the first encounter between China and the West did not lead to any violent cultural collision because the Ming opted for pragmatic solutions rather than rigid ideologies as a response to problems raised by the coming of the Portuguese. The unique cultural heritage and experience in human coexistence in Macao is a living monument to the basic tenet that a heterogeneous society can live and prosper and that it is permissible to seek common purpose amidst ethnic diversity.

5. THE INFERNAL AFFAIRS TRILOGY AND HONGKONG CINEMA'S RELATIONSHIP WITH THE EXTERNAL WORLD

Mark Houssart

Abstract

*Infernal Affairs and its two sequels form a highly commercially and critically successful Chinese film franchise. Itself showing the stylistic and narrative influence of the Hollywood crime movie, the series went on to enjoy great cult popularity in the West and inspire American remake *The Departed*. This piece examines and discusses what the films themselves and the story of their creation and journey across the world imply about the implementation of foreign influence in Hong Kong cinema and the consumption of the subsequent product by those foreign nations. It takes in to account the process of the trilogy's production whilst making room for critical analysis of the films and an overview of the reception the films received. The piece seeks to draw conclusions about how the dichotomy between Hong Kong cinema and art from other cultures around the world has evolved and about what the future might hold for this relationship.*

"The world is yours after '97:" Introduction

The Hong Kong film industry has long been a powerful and distinctive commercial and artistic entity unto itself. Catering to a culture and society vastly different to those which produce the mainstream films of the West, it has instead built a popular cinema rooted in its nation's own values, history and story-telling traditions, making films which have often been hugely successful with audiences in Hong Kong and mainland China. It is this very distinctiveness and inseparability from their cultural context which has prevented the vast majority of the resultant films from ever securing a large mainstream audience in Western countries, but a niche awareness has been in place for many years and has grown larger with each passing decade. The dramas of Zhang Yimou, the contemporary action movies of John Woo or the entire subgenre of historical *wuxia* adventures were treasured by film lovers and critics, and their influence showed, to different degrees, in American animation, the films of Ridley Scott and various Hollywood action films. While this influence has long been visible, viewers and many critics were for a long time only dimly aware of it, due to the poor distribution of Hong Kong films in the West and the lingering of outdated preconceptions regarding Eastern cinema.

If the gradual breaking down of barriers in international cinema through the advent of VHS in the 1990s did something to readdress this ignorance, the crucial evolutionary step towards greater viewer credibility came through its overwhelming growth as an influence on Hollywood film. The structural debt owed by Quentin Tarantino's *Reservoir Dogs* to Ringo Lam's *City on Fire* or the decision of the Wachowski brothers to employ revered martial arts choreographer Yuen Woo-Ping for groundbreaking blockbuster *The Matrix* signalled an admiration for Hong Kong cinema made even clearer when these film-makers openly discussed such influences. The latter in particular, happening as it did in close proximity to the Western release of Ang Lee's *Crouching Tiger, Hidden Dragon*, did much to refute clichéd perceptions of chopsocky movies and alert audiences to the visceral excitement and technical skill visible in many Hong

Kong genre productions. This built to a slow change of the way Hong Kong cinema was perceived in the West, and the changing of that perception had the knock-on effect of also, gradually, changing the thought process behind Hong Kong productions. This is highly significant to a discussion of the *Infernal Affairs* trilogy, indicating as it does that the films were produced in an industry changed beyond recognition by the previously unheard of possibility of international success and acclaim. *The Non-Stop Path*, to use a more literal translation of the film's Chinese title, gives in all its particulars the impression of having been conceived as a tentpole production. The presence of themes and plot points familiar from a cross-section of well-received Chinese productions and the use of an all-star cast indicate an awareness of potential domestic success on the part of the filmmakers. Such a success may in turn bring the film the opportunity to be seen by a broad audience in the West, and the film deploys the same self-awareness with regard to what this second audience is likely to want to see. The film thus operates within the cinematic vernacular of a pervasive Hollywood genre and for the most part favours a humanist approach over a more culturally specific one. The impression is certainly one of a pragmatically conceived and commercially sound venture, but the motives behind that design can only be competently judged after watching the evolutionary process that occurs over the course of the film and the sequels it eventually inspired.

Infernal Affairs, to be called that from now on so as to avoid confusion, is a crime thriller following two traitors: one is a Triad mole in the Hong Kong police, the other an undercover cop in the same Triad gang. When a botched sting informs both sides that there's a spy among them, the covert battle graduates to open warfare, with veteran cop Inspector Wong and Triad boss Sam each vowing to sniff out the imposter in their ranks. The thriller that is moulded from this scenario is geared to slow-burning tension, gaining much from the backdrop of a sleek, atmospheric Hong Kong. The plot development and character definition operates on the level of cipher and genre convention. Characters interact in the way most likely to heighten the emotional stakes for the two leads and illustrate the moral and personal quandaries of their situation. That the film takes place against a backdrop unfamiliar to most Western viewers is reflected in the action to some extent, but not allowed to drive it. The cultural background of the characters comes through in their driven and career-minded behaviour, but doesn't differentiate them irreconcilably from counterparts in Hollywood movies.

Links to successful Hong Kong films of the eighties notwithstanding, the foreign influence in *Infernal Affairs* is unmistakable. Its largely naturalistic style is closer to a Hollywood crime thriller than the films of Jet Li (the latter having been relatively successful outside of Hong Kong). The film would be much compared to Michael Mann's *Heat* when finally released in the West, and the influence of Mann's film is present both in the central notion of dual identity between a cop and a criminal and in the film's devotion to steadily building tension. If there is a single factor rooting the film unmistakably in its cultural context, it is probably the highly distinctive and considered fashion in which the city of Hong Kong is portrayed. The script

and cinematography create opportunities to show the city in numerous different lights, ranging from gorgeous expansive shots of the harbour (showcased wonderfully in Wong's rooftop meetings with his mole, Chan Wing-Yan) to the humid tension of the night-time scenes. This is neither the tourist Hong Kong nor the Hong Kong of seventies martial arts thrillers. It is a fast-moving, ruthlessly modern city with several overt and covert wars playing out on its soil. Conversely, even this determination to make the film's unusual setting as striking as possible goes even further to illuminating a deep kinship with the crime movies of the West. Just as *Bullit* and *The French Connection* caught San Francisco and New York in as immersive and evocative a way as possible, the makers of *Infernal Affairs* submit their own milieu for inclusion on the same crime movie map, intentionally or otherwise. The intriguing, well-mounted, lightly idiosyncratic genre film resulting from this unique mixture of ingredients is a striking anomaly within its oeuvre, and its large audience success in Hong Kong and mainland China is no great surprise. Its subsequent cult success when released in the West likewise makes sense, given the combination of the exotic and the comfortingly familiar it offered consumers of American crime movies. The film, after all, exhibits a transparent awareness of Hollywood cinema. It was made not in a vacuum, but in a global cinematic environment where the influence of American filmmaking is impossible to ignore. What might be considered unusual, and moves us to contemplate essential changes in the way Hong Kong's film industry views itself in the context of international cinema is what resulted from this success. Two sequels to *Infernal Affairs* were greenlighted following the first film's startling success, to be released in swift succession in their country of origin. Like all sequels to hit films, their execution was unavoidably affected by the fact of its predecessor's transcendent success. The climate in which *Infernal Affairs II* and *III* were mounted were significantly different to that in which the first film had been made, and among the unforeseeable factors which had arisen in the interim was the ever-volatile element of having broken the West, and, arguably most pertinently, America. The second movie was made in the knowledge that the audience awaiting it had extended far beyond China. The filmmakers self-evidently did not respond to the pressures and opportunities of this situation by producing a ruthlessly commercial film. Indeed, the sequel that co-directors Wai-keung Lau and Alan Mak produced challenged audiences to an unpredictable degree. It would both reveal a revised agenda for the series and hint at a near-revolutionary approach to communication with a foreign audience.

"Chinese people are sentimental:" *Infernal Affairs II* and National Identity

The second movie opens with an audacious echo of Francis Ford Coppola's *The Godfather*, a central influence on the trilogy and, together with its sequel, pertinent precedent for this sequel. Over black, Inspector Wong begins a reminiscence of his earliest experience as a policeman. The scene which we then fade up on is completely disorienting: the sworn enemies of the first film, Wong and Sam, sit in an interview room, apparently on good terms, discussing

the increasingly dangerous conflict between the police and the triads. “This is not how the world should be,” Wong says to Sam, signalling that this segment will eschew the first film’s small-scale atmospheric in favour of broader questions. These will extend past the notions of morality and Jungian duality central to *Infernal Affairs* and encompass the structures of the trilogy’s opposing “families,” the obstacles confronting the Hong Kong police in the years leading up to the handover and, ultimately, the theme of national identity. This last motif will give fullest expression to the impressive ambitiousness of the film and to the shrewd patience Lau and Mak have employed in building to this moment. If the first film was an examination of highly recognisable themes within an unusual milieu, the film which now follows it will have at its heart the question of what it is to be Chinese. As the 1997 handover approaches, Hong Kong’s identity is set to change, and the self-definition of its citizens will alter similarly with that knowledge over the course of the story. This trajectory is implied when an elderly police officer, tired of the impediments and compromises of his job, tells a younger colleague that he envies him the opportunities that will await him after the handover. In introducing the notion that a country’s perception of itself is irreversibly changed by the passage of time, the film also makes it very clear that its predecessor was a far less conventional crime movie than may first have been apparent. The genre archetypes we met in the first movie, we are now being told, were quite different a decade or so in the past. Their values and priorities have changed, from that time to this, as a result of quite unprecedented changes in their environment. The film builds from the promise of impending change to a comprehensive portrait of just how different life was for these characters prior to ’97. Factors such as a wide degree of cultural isolation between Hong Kong and the rest of China and the presence of the “English guys” at the top of the police force food chain create a unique social situation whose abolishment can’t help but turn the world upside down. Although these themes will not be allowed to overwhelm the crime story unfolding in the foreground, they will form an inextricable undercurrent to what we are going to see. Then, at the midway point, these complex dichotomies break through to the surface of the action in a pivotal scene contrasting two interviews by the police department. One is an internal enquiry by Chinese officers, the other a meeting of the promotion board which allows us to finally meet the “English guys” and see them interact with their Chinese subordinates. The duality between cop and criminal which gave the first movie its driving motif is replaced by a duality between different types of cop. Thus, the central theme is no longer crime, but race. The genteel, blinkered Caucasian officers on the promotion board – analogous in some ways to the Western viewers and critics who expressed such admiration for *Infernal Affairs* – are dimly aware of issues of cultural sensitivity, but profoundly removed from the intricacies of what’s happening on the streets of Hong Kong. While they discuss the niceties of a possible promotion, or the potential repercussions of the handover, their Chinese counterparts work hard to resolve a messy, ugly situation whose outcome will seriously affect the war on the Triads. “We want everyone to know that Hong Kong isn’t run by the Ngais,” Wong is told by a colleague,

and it is this genuine investment in the power struggle on the streets which distinguishes the Chinese officers from their British overseers, however benign and efficient the latter group may be. The city belongs to the Chinese simply because they're the ones who suffer from Hong Kong being dominated by crime. The scene not only marks the sequel as being more inextricably linked with Chinese culture and history than its predecessor was, but encourages the audience to think of the series' defining subject, crime in Hong Kong, in the context of China's relationship with the West. The audience who sat down for the sequel to a taut, streamlined thriller are being asked to consider questions of imperial subjugation. This thematic agenda becomes most explicit when, for the first time in the trilogy, a Chinese character is called upon to explain an aspect of Chinese culture to a foreigner. Ming summarises his thoughts on how the people might respond to the upcoming change of government by remarking that his countrymen are by nature "sentimental." This sentimentality, this pervasive nostalgia for nebulous aspects of the past, is a key aspect of much contemporary Hong Kong cinema and popular culture and colours much of the film's attitude to Hong Kong social history. Finally, at the end of this cross-cultural encounter, both between a Chinese policeman and his Western superiors and between Chinese filmmakers and their Western audience, Ming concedes that the altered status quo will complicate his job but states nonetheless that "I strongly believe in myself. Sir." That the characters on both sides of the law are more driven and proficient than those conventionally depicted in Western crime movies has been a subtle distinguishing factor for the series since the first film, but in this scene it is articulated, and articulated to a foreigner. That these are people with a different perspective on life, work and ethics to the inhabitants of a Western city, people who have been taught complete dedication to their chosen professions and who strongly believe in themselves, affects the way that this story will unfold and roots the action very firmly in its context. The film-makers are now explicitly defining unique elements of their native culture to a foreign audience, rather than downplaying such elements in favour of the story as the first film did. In taking this approach, the trilogy alters irreversibly the nature of its relationship with non-Chinese viewers. This story of cops and criminals has become a story of national identity, structured in such a way as to offer necessary explication to those with little or no knowledge of China's culture or recent history. This second film, and by extension the trilogy it's a part of, is using a genre form to supply such viewers with important information about its country's current national condition, a bold and unexpected move which makes explicit an entire conversation between text and viewer previously present only as an undercurrent. By the end of the movie, as the night of the handover ceremony sees the characters in forms closer to those they had in the first film, Chinese viewers are merely presented with an enactment of a central moment from their recent history. Viewers from the rest of the world are shown something different: the contextualisation and minute human effects of social changes in a foreign country, characters they have grown fascinated with guiding them through its various consequences. They are invited to understand and engage with the implications of an unprecedented change

in another nation's structure, and it is very likely that a large number of them finished the film with both a greater knowledge of how the process of the handover took place and a more definite sense of that process's impact on the individual within Hong Kong. The film has both changed the trilogy's ultimate shape and challenged itself to offer a window on matters central to the current status of its country, to those less likely to have practical awareness of these. *Infernal Affairs II* marked a significant achievement in realising the potential of world cinema to carve out a place in popular culture for the recognition and understanding of important global questions. If this illustrated a deeper eloquence and resonance in the conversation between Hong Kong cinema and world audiences than might previously have been suspected, it was only one of several films that were doing this in equally intriguing and surprising ways.

The Western Response and Contemporaneous Changes in the Perception of Asian Cinema

Infernal Affairs received many favourable notices on its release in England and America. Its incorporation of Hollywood motifs had stood it in good stead, as it was felt by some viewers to actually have something to contribute to these traditions rather than being a regurgitation of them. To take motifs from *Heat* might create some interest in your film, but for people to suggest that it's a more disciplined, engaging film than *Heat* puts you on an equal footing to the Hollywood big hitters. The second film was even better received, and, once again, American precedents were of great use to people trying to put the film in to context: a prequel to a panoramic crime drama can have no more auspicious precedent than *The Godfather: Part II*. Those viewers who would have to be persuaded to even watch a film in Cantonese with English subtitles might theoretically find their kneejerk reaction tempered by the awareness of a Hollywood influence in the makeup of the film. To quite how original a use that influence had been put would perhaps not be fully apparent until Sam looked out at the fireworks on the night of the handover: the familiar becomes the foreign through a very slow and patiently executed process. However, the film's attempt to ingratiate itself in this way might not have been as necessary in practice as it would have been a few years previously; by 2003, the foreign was more familiar to a consumer of Hollywood cinema than it had ever been before.

The early 00s quickly gave rise to a cultural climate far more receptive to world cinema than it had been previously: the rise of a number of distributors of foreign language films, together with the increased availability of non-Hollywood productions through DVD and the internet, made international film a less obscure and elite proposition than it had been as recently as the mid 90s. This change in the market coincided with a crop of impressive Asian films which, in different ways, had something to recommend them to one sub-section or another of the Western audience. These ranged from the lyrical, picturesque action movies of Zhang Yimou to the more bizarre and unsettling likes of *Old Boy* and its ilk, films that were grouped in the UK under Tartan DVD's "Asia Extreme" label. The change in the type of movies the East was producing together with the change in the environment they subsequently emerged into

led to a completely new identity for Chinese, Hong Kong and Korean cinema, and one more amenable to an equal cultural interaction with Hollywood cinema. As the films seemed, in numerous ways, more suited to the Western market place than Asian films previously distributed in other countries, so Western cinema began to integrate its ideas and innovations. Although this was nothing new, the manner in which it was done was. Rather than simply taking the most easily translated elements of Asian cinema and strongly colouring them with American pop cultural elements, as had been done in 80s and 90s attempts to break Hong Kong martial arts stars in American films, Hollywood aimed for a certain authenticity by trying to demonstrate a genuine awareness of Eastern film culture and history. When Quentin Tarantino made his homage to martial arts cinema, *Kill Bill*, he didn't so much borrow from Asian cinema as actively incorporate its techniques and many of its key artists, filming whole sequences in Mandarin and Chinese and commissioning a Japanese anime company to animate a central sequence of the film. The apparent intent was not to render a foreign culture more palatable for a domestic audience, but to reach as convincing an approximation of its nuances as possible. In the commercial environment that existed at the time, Tarantino's approach was the only viable one. With subtitled versions of Chinese Wushu movies enjoying significant commercial and critical acclaim in the West, audiences were now more than capable of distinguishing between the genuine article and a careless imitation. Over the first half of the 00s, many viewers had, thanks to the cinema and DVD releases of films such as *Zatoichi*, *Crouching Tiger, Hidden Dragon* and *Spirited Away*, learned the necessity to engage with these movies on their own terms in order to appreciate them as fully as possible. The far increased opportunities to see these films in non-Asian countries and the influence they exerted on Hollywood films led to the effective abolishment of numerous absurd "chopsocky" preconceptions about Hong Kong cinema and an increased understanding of the variety of genres and styles that it offered.

The sequels to *Infernal Affairs* benefited both from this new willingness to accept unfamiliar cinematic styles and from having a recognisable link to the more familiar. Next to the dreamlike artifice of *Hero*, the narrative, mis-en-scene and acting styles of something like *Infernal Affairs II* seemed far more conventional. Familiar genre tropes and comparisons by reviewers to Michael Mann's *Heat* or the *Godfather* movies put the film in a context which served to make the less familiar cultural and political aspects of the film less daunting. Thus the gamut of Chinese films available to foreign audiences extended from the likes of the Wushu movies – aesthetically hugely and beguilingly eccentric but, at their core, abiding to the rules of the traditional action movie – to Lau and Mak's trilogy of films, welcomingly familiar in form yet holding a rich undercurrent of insight into contemporary China.

The critical reception to *Infernal Affairs II* in England and America ranged from the patronisingly respectful to the rapturous. As already noted, it seems fair to assume that a very precise mixture of foreignness and familiarity led to this positive reception, but once the trilogy had found acceptance in the West it became integral to the discussion of international popular

cinema and fluctuations within the crime genre. It was only one of several contemporaneous Chinese films to find audience acceptance abroad, but the type of Chinese cinema it made a place for in foreign estimation was very different to those represented by its contemporaries: it had both contributed a new perspective to traditional cop movie plot points and brought attention to issues intrinsic to its home culture. It not only offered a response to Hollywood, but asked a response to itself in return, and the dichotomy between Hollywood and international cinema had altered so much in a few short years that American cinema's traditional responses to a successful foreign film would no longer be tenable.

“I don't want to be a product of my environment:” Conclusion

That a Hollywood studio bought the rights to *Infernal Affairs* as the basis of the film that would eventually become Martin Scorsese's *The Departed* is very much in keeping with Hollywood tradition. The film had too potent a central idea and had been too much of a success to not be put to use in the studio mill. This response to the knowledge of a successful foreign film dates back to the recreation of *Seven Samurai* as *The Magnificent Seven*, and the manner in which the story was translated to a new milieu in William Monahan's screenplay was extremely traditional: analogous American organisations or members of the public were substituted, morally ambiguous behaviour on the part of the star characters was removed, a relationship from the original movie was changed in to a more conventional love story. *The Departed*, perhaps due to the pedigree of its own cast and crew, won a great deal of acclaim in its own right; its Boston setting, along with a boisterous performance from Jack Nicholson, separated it sufficiently from the original film for it to have its own identity. Any criticism of the filmmakers for a perceived cash-in on a comparatively small Chinese film was minimal. That the Chinese film's subsequent fate differs from that of Akira Kurosawa's movie, withdrawn from release in America after the success of *The Magnificent Seven*, is simply a result of the broader and more democratic conditions that now exist for foreign language films, together with the aforementioned growth and alteration in the perception of Chinese cinema. *Infernal Affairs* has not been forgotten or superseded as the result of a Hollywood remake. Its place in history has not been crushed by the power of Hollywood. The power of the internet and DVD meant that word of the original films only spread faster and wider as a result of the remake. People have been able to discover the original film and judge its merits relative to Scorsese's film.

Infernal Affairs has been able to hold its own in this cultural battle partly for the reasons listed above, and partly because it is a more aesthetically distinctive film than *The Departed*, creating its own unique milieu where the latter settled for a mis-en-scene reminiscent of seventies American cinema. It therefore invites imitation more readily. Perhaps the biggest illustration of the Chinese film's enduring impact was in *The Dark Knight*; Christopher Nolan's film consciously emulated the epic crime movies of Scorsese and Coppolla with its vast American cityscape and interlocking crime movie, but in its second act finds time to homage a different,

but equally evocative and distinctive, crime film milieu. As Peter Bradshaw pointed out in his review, the Chinese city that *The Dark Knight's* corrupt accountant runs to feels and looks not just like Hong Kong, but like the Hong Kong of the *Infernal Affairs* movies. To emphasise this probable homage, that accountant, Lau, shares his name with the director and co-star of the *Infernal Affairs* trilogy.

Infernal Affairs III closed the trilogy in a different environment to that which had awaited the third movie, and that film's more experimental shape shows how much bolder Lau and Mak had become. Its courageously challenging structure showed a willingness to plough new ground, perhaps because the three films, between them, had done so much of this and been richly rewarded by critics and viewers. Hong Kong cinema has reached an age where its audience is broader than ever before and, due to the variety of genre, mood and theme among its international successes this century, from *Hero* to *Infernal Affairs*, it now has an audience likely to prove receptive to films even more unusual than the trilogy at the heart of this article. Today's smaller world can comprehend international films in world cinema in a way previously unthinkable, and those filmmakers capable of understanding the aforesaid world, with its wider inclusivity of different cultures and perspectives, are capable of making films as remarkable as those of Mak and Lau and, in years to come, contributing to an even more powerful and expressive personality for Hong Kong films.

6. CITIES, LABOUR MIGRATION AND SOCIAL EXCLUSION: COMPARATIVE REFLECTIONS ON DEVELOPMENTS IN EUROPE AND CHINA

David Etherington

Abstract

One of the key features of globalisation is the increasing international migration of labour. In Europe, the pattern of migration has been shaped by movements within the EU (from poorer Mediterranean and former Socialist states) and from developing countries. In China the pattern of migration has been from rural areas to the cities accelerating during the economic boom and structural reforms. Whilst there are significant differences occurring between the EU and China in relation to patterns and dynamics, there is a common inter linked thread – geographical uneven development as a major stimuli, the shift towards neo liberal and market based policies reflected in market deregulation which has intensified labour ‘exploitation.’ The other, and related, is the role of government policy in controlling mobility. The paper focuses on these commonalities by providing an overview of the main dynamics of migration and exclusion in Europe and China’s cities. The paper then focuses on migrant workers as agents and actors who possess mobilising capacities within cities and the implications of this for an inclusive labour politics.

Introduction

Since the economic reforms in the 1980 and 1990s, China has experienced unprecedented economic growth as the country became integrated into the global economy. Accompanying this growth was labour migrations on an unprecedented scale particularly from the rural hinterlands to the growing cities on the East Coast (Tunon 2006). Similarly, within the European Union, a new wave of migration has accompanied enlargement and the inclusion of the former socialist countries into the EU political and economic process. Labour migration flows have tended to be concentrated (although not exclusively) in the major cities but as the current recession bites, with increasing unemployment and social inequalities questions have been raised about the impact of immigration in terms of marginalisation and exclusion of a significant group of workers (Williams 2009, Wills 2009). Labour migration has emerged as a political issue and fuelled the rise of right wing populism and mobilisation within some of the EU member states fuelling ethnic and racial tensions. Similar debates are emerging within the Chinese polity only to be intensified as the recession and more difficult economic conditions adversely impacts on urban economies and labour markets. The purpose of the paper is to provide an overview of the key processes –both common as well as divergent - and causes of contemporary urban labour migration within the EU and China, focusing on the way these processes are inter linked with social exclusion. The paper provides, through case studies of London and Copenhagen in Europe and Shanghai in China, analysis of processes of exclusion and examples of where migrant labour are negotiating and contesting their social and working experiences.

Some Theoretical Reflections on Labour Migration and Urban Exclusion

Marx considered that the relationship between the population of the working class and

process/rate of capital accumulation was of crucial importance. The law of capital accumulation states that the demand for labour grows more slowly than the rate of capital accumulation. A relative surplus population – reserve army of labour (RAL) - is formed from the expansion of capital and replacement of labour by new technological innovations (Marx 1976:781-794 c.f. Rosdolsky 1977:245-246). Immigration and migration has been crucially important in terms of reconstituting the industrial reserve army in developed capitalist countries. As capitalism experienced labour shortages after the Second World War, labour migration was encouraged by the state and capital so that workers from other, often less developed, countries were recruited, the majority into low paid unskilled work. The geographical patterning of labour migration relates directly to the processes of uneven development and the differential demand for labour within cities and regions (Castles and Kosack 1972 c.f. Møller and Lind 2000:25).

Both growing and less developed or disadvantaged cities and regions in the more advanced economies are sources of demand for labour which can reinforce uneven development. Within the advanced economies migration as it serves as supply of cheap labour can reinforce low wage and skills local and regional economies such as the Older Industrial Regions which have tended to be characterized by depressed labour markets (Etherington and Jones 2009 Perrons 2009 Williams 2009).

When discussing the European context it is important to highlight the variations in national welfare and labour regulations and therefore patterns of urban exclusion within the member states. Liberal market welfare economies are characterised with mean tested and residual welfare arrangements and weak industrial relations systems in terms of collective agreements and trade union influence. In contrast, universal (social democratic) welfare regime comprises relatively generous benefits and comprehensive access to social and welfare services combined with coordinated collective bargaining and strong trade union influence in social and economic policies. This difference between regimes is therefore shaped by industrial relations and collective bargaining arrangements and the degree of labour movement and trade union engagement with the political process (Esping Andersen 1992 (Hall and Soskice 2001)). For China, the economy was formerly controlled mainly by the Government as part of a centralised state socialist planning system but has moved towards a transitional economy with the increasing orientation towards the market facilitated by the collapse of the State Owned Enterprises (SOEs) and the promotion of the economy for private capital accumulation. The pursuance of market based economic growth has had major geographical and urban impacts with the movement on a mass scale from the rural hinterlands to the Eastern coastal city regions. In this respect an equivalent reserve army of labour has been mobilised on a massive scale in China's core urban centres (Wu 2004).

Patterns of Urban Labour Migration and Exclusion in EU and China

EU Labour Migration Trends

The post war period was characterised by the recruitment of temporary or 'guest workers' mostly from Southern Europe, Balkans Turkey and North Africa. The second phase of labour migrants originated from the 'A8' countries of former Eastern Europe. It is estimated that the foreign resident population in 15 European Countries is just over 20 million although this may be an underestimate (Alexander 2006:2). Major EU 'migrant' cities are shown in Table 1. One of the characteristics of migration is the increasing disadvantages and discriminations that they experience within Europe because of poor housing, un-regulated and oppressive working conditions and practices, lack of access to social and welfare services (Eurocities 2010, European Anti Poverty Network 2009).

Migrant Labour and Disadvantage in London and Copenhagen

The analysis of labour market position and disadvantage in London is complex and highly differentiated. Long term migrants from BME populations are particularly disadvantaged – 40% live in low income households compared to 20% of the white population. London displays all the characteristics of the LME deregulated labour markets and a particularly high incidence of low paid and non unionised work places. The incidence with respect to low pay is striking – about half of Bangladeshi employees are paid less than £7.50 an hour compared with 10% of white people (MacInnes and Kenway 2009:59).

Table 1 Major EU Cities and Migrant Populations

City	Population	% of migrant population
London	9.5m	30
Frankfurt	660,000	28
Rotterdam	591,000	32
Brussels	953,000	29
Paris	2,126,000	22-41
Athens	772,000	18-22
Amsterdam	739,000	49
Bradford	457,000	20
Zurich	336,000	28
Copenhagen	503,000	8

Source: Adapted from Alexander M (2006)

Recent research has highlighted how migrant workers tend to experience deteriorating working conditions, working unsociable hours without compensation, no overtime pay or access to a pension scheme. Furthermore, around 44 percent of migrants from poorer countries who have been in London for more than three years are still located in the bottom 40 percent

of the labour market (Wills et al 2009:622).

There is a complex array of social and economic policies delivered by government agencies, local authorities and trans-London agencies such as the London Development Agency (and the London Skills and Enterprise Board) which tackles social exclusion in which migrant communities will have an impact upon minority ethnic communities (London Child Poverty Commission 2009). Principally the Department of Work and Pensions (DWP) – the government employment services has established ‘City Strategy Pathfinder’ in deprived areas which bring together services and agencies with the aim of reducing child poverty and increasing employment rates. As part of labour market policies migrant communities are receiving special assistance under the ESOL programme as part of the Government’s language skills strategy.

Denmark (and Copenhagen) has a different tradition and pattern of migration to the UK comprising largely of asylum seekers, refugees and family reunification mainly as a result of former liberal immigration policies with a relatively low proportion (7%) compared with other Member states – although this has increased dramatically during the last 10 years (Leibig 2007). One important reason for this is the nature of labour regulation and collective agreements which shape employer and employee labour relationships. High union densities and minimum wages determined by collective bargaining ensures a strong social protection model and gives little space for employers to offer differential employment conditions as is the case in London and other less regulated regimes (Wrench 2004). Like other countries the immigrant status has been high on the political agenda with the Liberal Conservative Government has been pursuing an anti immigrant rhetoric as well as targeting immigrants with respect to placing tougher conditions on access to welfare benefits. The employment rates for non EU immigrants are markedly lower than Danish nationals (44.9% compared with 73%) and the corollary of this is that this group comprises the largest number in the long term unemployed bracket in Copenhagen (51.1% compared with 30.8%) (M-Ploy 2008).

Denmark has pursued an ‘integrationist’ strategy in relation to immigrants involving two key strategies. The first, implemented in the late 1990s by the Social Democratic Government relates to neighbourhood renewal concentrating resources and initiating special social projects in working class neighbourhoods (‘kvarterløft’) with large concentrations of immigrants (Cole and Etherington 2005). This was phased out and replaced by the liberal conservative government policy of targeting immigrants in terms of improving their employability as well as tightening of eligibility to benefits and cuts in real terms for immigrants.

In addition to the provision of employment services Copenhagen local authority has tended to adopt relatively enlightened policies and programmes to assist immigrants due to the dominance of social democratic politics and the integration of the social partners within the municipal administration decision making. Copenhagen local authority has established positive action policies in terms of recruitment, contract compliance for employing immigrant

groups and established a Citizens Advice Service to assist the representation of people experiencing discrimination (Cities for Local Integration Policies 2009).

Chinese Urban Labour Migration Trends

In China (and other post socialist regimes), urban social exclusion is derived from the transition to liberal market economies with the making of a working class from mass migration as millions of people moved from the rural regions and communities to the cities where capitalist enterprises and the market were being implanted on the Chinese economy (Fu 2004). This transition has led to a paradox and contradiction; increasing economic growth and bringing more people into the labour market but at the expense of accelerating urban poverty. The constitution of the RAL in China is a product of the relaxation of rules about population mobility and the insatiable demand for labour by the rapidly growing urban economies in the Eastern Seaboard. The rural migration movement referred to above is an outcome of these processes.

Labour migration in China is a response to and component part of complex economic social and political forces – industrialisation, marketisation, urbanisation and hukou liberalisation which is integral to the movement towards a transitional economy as described above. The state control of population movement is through hukou which entails the registration of households conferring special rights to employment and access to welfare services. The hukou system has operated to confer residency and citizen rights for certain sections of the population who move, and the majority of labour migrants from rural areas tend to be excluded and have a ‘non citizen’ status. Tens of millions of people have migrated from the rural western part of China to the Eastern growing cities. In 1985 migration amounted to 40million people but by 2003 this exceeded 140 million people (Chan and Buckingham 2008). As Table 2 shows the main growing cities have significant numbers of non registered or floating population. Also of significance, Chinese migration has been internationalised in recent years – in the UK Chinese immigrants were the third largest group to enter the UK after Poland and India (Pieke and Xiang 2007).

Table 2 Chinese Regional Urban Systems and Labour Migrants

City Region	Population (million)	Proportion of migrant pop (%)
Yangtse Delta	76.9	23.07
Pearl River	33.7	30.67
Beijing Tianjin Corridor	26.4	27.48
Zhejiang Corridor	11.4	25.44
Eastern Guandong	18.4	10.36
NE Cluster	18.6	15.12
Baoton – Hohhot Cluster	5.4	31.83

Source: adapted from Chaoui et al (2009:29)

According to the 2000 Census 131 million people were resident outside their place of household registration – one tenth of the total population and rural migrants comprise 40% of the total labour force. Migrants are mainly employed in specific economic sectors such as – construction, manufacturing, retail and service industries. Considerable proportions are working in the informal economy and self employed. Approximately 52% of migrants are self employed and only 12% are employed in the public sector compared with 68% of the local workforce (Tunon 2006:10).

Low pay and poor/precarious working conditions underpin migrant social exclusion in the cities with the average working class wage for migrants significantly below the resident population (Tunon 2006 Li and Edwards 2008). In 2004 there were 136,000 fatalities from workplace accidents and migrants account for 80% of deaths in mining, construction and chemical factories (Tunon 2006:12). Access to welfare is restricted and a small proportion of migrant workers; 5% of labour migrants obtain full or partial pension insurance and less than 3% enjoy partial unemployment insurance. Although Chinese labour code is relatively progressive for a transitional economy (see Croucher and Miles 2010) as it state minimum labour rights including contracts relating to working hours, conditions and pay rates.

Economic growth has given rise to what Kochhar (2008) describes as a ‘new rich class’ and a ‘new poor class.’ It is estimated that gini coefficient as a measure of inequality has increased from 0.16 in 1978 to 0.32 in 2000 (Hao nd:10) and rising to 0.46 in 2006 (Kochhar 2008:17 see also Wu 2004). A study by the Chinese Bureau of Statistics in 2001 estimated that 20 to 30 million urban registered workers had fallen into the poverty trap – rising to 40-50 million taking into account family dependents (Kochhar 2008).

Government Anti Poverty Policies

Since 1998 the state has provided two minimum income guarantees – one is an income for laid off workers provided by a re employing centres and the second, is a basic income for retirees. In addition there is a Minimum Living Standard Scheme which is a social support for residents living below the minimum level of income and paid by the local authority (Kochhar 2008). The state has instigated large scale initiatives to address vulnerability and exploitation of migrant workers including a national campaign against defaulting firms so that wages were paid to workers, insurance against work place injury, and guarantees in some cities, services to migrants enjoyed by residents (Tunon 2006:21). In many cities social organisations have emerged providing poverty relief – for example in Shanghai (see below) Charity and Poor Relief Foundations raise money to assist those who have not access to services and the local government has established medical care and health services to address the increasing health inequalities that have arisen during the boom years (Yan 2008).

Migrant Labour and Disadvantage in Shanghai

Shanghai typifies a city that has rapidly become a global metropolis – rapid industrialisation accompanied with a the rate of redevelopment has been at quite dramatic proportions. In the past 10-15 years 4,000 sky scrapers of eighteen stories or higher have been erected and the total demolished residential floor space amounted to 31million square metres. This has impacted on 704,423 households and about 2 million resettled residents. Shanghai has become a city with a rapidly expanding luxury housing sector and privileged wealthy elite with direct economic and social connections to the global economy – or the new rich class as referred to above. Shanghai is also the number one city for foreign owned companies accounting for 14.5% of the workforce (Chen and Sun 2007:2334).

Parallel with this development is the transformation of the State Owned Enterprise (SOE). Prior to the national economic reforms the SOEs were the main source of employment, and also accounted for the relatively egalitarian nature of the labour market because of the access to welfare and social services that SOE employment conferred. The restructuring of the SOEs involving rationalisation, privatisation and closure in Shanghai has had substantial impacts on employment opportunities. In 1980 the proportion of employment in SOEs was 76.9% and in 2003 this had reduced to 26.8% (Yan 2008:19). Increasing unemployment and poverty has affected both the indigenous and migrant population although a key issue for migrant workers is not only their disadvantage in the labour market. A key area of tension is not only material poverty resulting from labour market exclusion but also “the urban poor suffer...also serious violation of their political, civil and social rights..and urban migrants lack any rights to participate in any rule making process”(Yan 2006:11).

Organising and Empowering Migrant Workers

The European Union

Traditionally there has been ambivalence by the trade unions towards migrant workers in relation to recruitment and representation (Kahmann 2002), although now, there is increasing evidence that they are becoming more important actors as unions address the social inequities of low paid and insecure labour markets of which most migrant workers are a large component part. This includes special recruitment drives, cross border links between trade unions and information advice and guidance in terms of employment rights (Meardi 2009 Hardy and Fitzgerald 2009).

London

Although low trade union densities and weak collective bargaining is an inherent component part of the UK industrial relations system, nevertheless, major trade unions have developed strong equality policies, including, for example facilitating the organisation of black workers within the unions (Wrench 2004). With the onset of immigration from A8 countries

(from Eastern Europe) unions have allocated resources (such as through the Union Learn fund) to address language barriers and to recruit migrant workers and it is in this context that the labour movement generally has been open to campaign work with NGOs and civil society organisations representing migrant workers. In the face of racist attacks by the fascist British National Party and English Defence League, and this mobilisation intensified during the General Election of May 2010.

In the context of deregulated labour markets and weak collective bargaining structures the organisation of migrant workers in London has been via joint activities between London branches of the more powerful trade unions such as Unison and Unite – the UK major union representing public sector workers and civil society organisations such as London Citizens. An integral aspect of globalisation and migration is the outsourcing and subcontracting of activities such as cleaning to firms using low paid and non standard forms of employment. It is a way of cutting costs in a highly competitive market and this is facilitated by weak or non enforcement of basic health and safety and employment rights. A key focus of the campaign has been to engage with immigrant workers and pay a ‘living wage’ in relation to an hourly rate that will return a sustainable income. As a result of London Citizens contact with vulnerable workers, this has facilitated empowerment and mobilisation capacities through social solidarity actions. For example cleaners in banks and a university have gained hourly wage increases and improved working conditions through joint actions in targeting employers (ESRC 2009).

Copenhagen

Since the 1990s the Danish trade unions have taken a more pro-active stance in relation to immigrants and migrant labour establishing a number of initiatives including the publication of a booklet providing basic information about joining trade unions and the Danish labour market, recruiting people of immigrant origin to provide advice about labour market and training as well as actively recruiting immigrants to the trade unions. The existence of coordinated collective agreements and social partnership has influenced the negotiations between trade unions and employers relating to migrant labour rights. In 2002 the Danish TUC (LO) and the Employers Association (DA) signed an agreement relating to rights of access to language training within an Enterprise and providing training in works time, and ensuring that skills of refugees and migrants should be converted into Danish recognised qualifications (Wrench 2004:12-13).

In Copenhagen, a city with the highest concentrations of immigrants in Denmark, the trade unions have been active in developing closer links with migrant workers. An example is a recent survey of Polish workers in the Construction Industry carried out by the University of Copenhagen and funded by the social partners. The survey found that many workers were classed as ‘posted workers’ in that they were working directly for foreign countries with pay and conditions that were not determined by collective agreements. Significantly, by the end of 2007, 2,900 construction companies were operating in Denmark (and many operating in Co-

penhagen because of a building boom in this period) and only 70 were members of the Dansk Bryggeri – the employers association for the construction industry (Hansen and Andersen 2008). This survey was an integral part of a campaign by the trade unions to address a threat that posted workers pose to collective agreements.

As highlighted above, high proportions of immigrants once made unemployment face considerable barriers getting back into the labour market which has led trade unions to undertake more outreach activities with marginalised groups. For example, Greater Copenhagen TUC has obtained funding from the Copenhagen Local Employment Committee (in 2008) with the aim of network building and form a partnership contract which integrates marginalised groups (people on sick benefits and immigrants) within the day to day working of the network (Etherington 2008).

China

As to be expected organising migrant workers in China is a complex and foreboding challenge. There exists one legal union – All China Federation of Trade Unions (ACFTU) which has a total of 34 million migrant worker members and made a target of recruiting 70% of all migrants by 2008. In addition to ACFTU women are represented by the All Chinese Womens Federation which has a strongly activist membership campaigning for women's rights in and outside the work place and focusing in particular upon human trafficking (Tunon 2006:28). There are a significant number of Non Government Organisations (NGOs) operating in China comprising strong advocacy and mobilisation agendas and activities. A key area of pressure is to enforce companies to implement what are relatively progressive and advanced labour standards established by the national government. This in itself poses dilemmas because if implemented, it would lead to increasing production costs for enterprises already running on tight profit margins. Furthermore, local authorities who are responsibility for ensuring that labour standards are competing on low labour costs in order to attract investment (Tunon 2006:21).

Migrants are active agents and develop different coping strategies to resist and contest their poor conditions. For one, 'they act with their feet' and return to rural communities because of the poor living conditions. In some city regions, and in certain industries workers will form their own collective and individual bargaining strategies to improve wages and conditions (Li and Edwards 2008). Labour unrest has been on the increase in the major cities. Two segments of the working class are at the forefront of labour mobilisation; migrant workers in the export orientated coastal cities, and non employed groups including pensioners and unemployed workers in the 'rust belt.' In the mid 1990s unrest became more widespread and the state response has been to accelerate reforms (see above), use more repressive policy strategies to break up and dampen down protests, and to support a 'legal rights' approach. This opened up a space for more and more NGOs and civil society organisations to "inculcate rights consciousness and legal knowledge among aggrieved workers" and this individual rights approach

has been seen as an alternative to collective and solidarity action (Lee and Chan 2008:10).

However, Lee's (2007:164) study of organisation and protest records a 30% increase in the numbers of arbitrated labour disputes since the early 1990s with the majority of these related to claiming back pay because of illegal wage reductions, actions against arbitrary disciplinary measures by employers, and enforced redundancies. The number of mass demonstrations and incidents of disturbances recorded by the Ministry of Public Security reached 87,000 in 2007 illustrating the increasing numbers involved in protests, strikes and demonstrations (see Lee and Shan 2008).

Shanghai

Migrant workers organize their daily life and work through informal connections and networks from their home villages and networks built up within the factory, and in their residential areas. They use these networks to get financial help, emotional support and information on the labour market. In Shanghai, two dynamics operate which are stimulating protest and mobilisation of the urban poor. The first is the ghettoisation of workers, with migrant enclaves forming with "appalling conditions" and resentments being felt as a result of the hukou system which acts as a mechanism similar to guest worker contracts in Europe (Wu 2004:418). Second, with the rate of bankruptcy's of SOE accelerating during the 1990s and beyond, many workers have been faced with financial destitution, and the 'Socialist Social Contract' which has been strong in this city has been subject to challenges (China Labour Bulletin 2008).

Yan (2008) has studied the various mobilisation strategies adopted by unemployed people and the destitute in Shanghai, ranging from land protests, demonstrations against housing evictions, lobbying outside the municipal government against oppressive employer practices (Yan 2008:19). More recently protests against factory closures as a result of the economic down turn have taken place and over a 1000 workers, mainly women, held a demonstration and 'sit in' outside factories where the employers had failed to pay out bonuses and benefits (Sunday Times February 1 2009).

Conclusion

This paper has attempted to explore the common denominators between the EU and China with respect to patterns and processes of urban labour migration and social exclusion. In both regions a key feature of global labour migration dynamics is the dominant political strategy of neo liberalism, the promotion and restructuring of capitalist economies where social and labour regulation gives primacy to the operation of the market, and freeing up the mobility of labour (and capital). Neoliberalism is also a strategy which shapes the power and bargaining relations between labour and capital with the aim to reduce labour costs through deregulation, imposing restrictions on work place organisation and collective bargaining. Whilst social and

economic policies at the national level and within cities are of crucial importance to addressing social exclusion, these need to be closely linked to employment rights and opportunity capacities within the work place as mechanisms for an inclusive labour market for migrants and other disadvantaged and discriminated groups. As the paper also identifies, migrant workers throughout the EU and China, as well as in other global locations possess agency and capacities to resist and contest discrimination and exclusion. More research needs to be undertaken to record and analyse patterns of mobilisation as this is now emerging an increasingly important element of labour movement politics (Hardy and Fitzgerald 2008).

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