Diasporas and globalisation – The Chinese Business Community in Portugal and the Integration of China into the World Economy

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Abstract

This article analyses, in the dual context of globalisation and the emergence of the knowledge society, the new strategic role performed by diasporas as significant links in the relationship between the receiving country and the respective country of origin. Diasporas are also seen as strategic factors in the foreign policy of the country of origin and a fundamental instrument of its soft power. The analysis draws on the experience of the Chinese business communities in Portugal, whose members have been functioning as catalysts for the integration of China into the global economy and in the spreading of Chinese culture. They therefore perform three main functions: (i) catalysts of economic flows: entry points for Chinese exports in Portugal; investors and mobilisers of foreign investment in China (ii) sources of economic intelligence, information on business opportunities, characteristics of the markets and the local business culture for the Chinese authorities, and (iii) institutional brokers and agents of the decentralised ‘paradiplomacy’ of Chinese provincial and local governments.

Keywords

globalisation, knowledge society, Chinese business community in Portugal, cultural diasporas, foreign policy, soft power.

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Introduction

The intensification of international migration and human migratory flows is one of the central dimensions of the process of globalisation. This has developed in parallel with the intensification of human and financial flows, and flows of Foreign Direct Investment (FDI), even though they contrast with other flows with more negative connotations. Within the dynamics of globalisation, the idea of open and porous borders applies to goods, services and capital - but not to people. The structural shifts that societies and the international system have experienced are not only determined by the impact of the process of globalisation, but by the interaction of three processes, which though distinct, are inter-connected and simultaneous: globalisation, the emergence of the knowledge society/economy and the network society. As a result, what we have lived through is not simply a context characterised by globalisation, but by a more complex process that simultaneously involved globalisation and localisation. It has therefore been termed ‘glocalisation’ by some (Rosenau, 2002; Enright, 2001). This process further enhances the relevance of migratory phenomena.

The localisation factor is directly associated with the process of the emergence of the knowledge society, characterised by the fact of all of its activity being orientated towards the production, diffusion and effective use of knowledge, the implementation of which is achieved through innovation – new products, new processes and organisational technologies with an economic market value – and with a central role played by intangible factors, such as human and social capital. Furthermore, it is also a learning society. The production and diffusion of ‘tacit knowledge’ (know how and know who) is the decisive aspect for innovation. So, contrary to ‘codified knowledge’ (know what and know why), the production and diffusion of tacit knowledge requires personal face-to-face interaction and the creation of relations of confidence, as it is can only be transferred between actors who share the same norms and values and social contexts, characterised by a high level of social capital.

This underlying social interaction must be undertaken on a territorial basis, contributing to attributing a new strategic value to the territory at regional and local levels, contrary to the effect of de-territorialisation and loss of relevance of territory created by globalisation. Social interactions therefore constitute an optimum level for the creation and densification of knowledge networks that produce and diffuse tacit knowledge.
Migration is not a new phenomenon, but in this context it acquires a new relevance and a new dynamic that results from the crossing and interaction between globalisation and the knowledge society, creating not only the quantitative intensification of migratory flows, but also qualitative changes that involve new forms, new dynamics, new risks, new protagonists and motivations (Rocha, 2007). For example, in the context of the knowledge society, the migration of skilled labour assumes increasing relevance, as it does in the context of the new flows of ‘knowledge workers’, scientists and academics (see: Skeldon, 2005). We have also seen a new ‘emigration of opportunity’ that seeks to take advantage of the opportunities of the global market from an entrepreneurial perspective, just as the traditional ‘emigration of necessity’ sought to flee from the drama of poverty and sub-human living conditions. In the same way, new processes of temporary and circular migration among various destinations and the country of origin illustrate the new reality.

Globalisation is a multidimensional process that is not restricted to the economic dimension, but also involves political, security, cultural and environmental dimensions. This process, as well as its positive effects – associated with the growth in flows of trade and international investment, reinforcement of competition, the rapidity and ease of communication or even the convergence of cultural values and matters of conscience about global problems, particularly in relation to the environment – also has negative impacts related to the growth in inequalities in income and power between countries, and between social groups within the countries; to the increase in poverty levels among those who are marginalised by globalisation; to the expansion of various non-military threats (international terrorism, arms, drugs and people trafficking and other forms of organised crime), which create increasing insecurity.

The new opportunities offered by the global market; the increase in unemployment and poverty in certain regions and in the gap between rich and poor; greater access to information and ease of transport; the action of organised people-trafficking networks and the expansion of organised transnational crime; the acceleration of environmental degradation; and the increase in insecurity in certain regions, all contribute in a coordinated way and in various proportions to the acceleration of global migration flows.¹ This process is further facilitated by the sideline factor of demand associated with the demographic dynamics and problems of population ageing in developed countries. This creates labour shortages and the necessity to attract foreign workers and make admission of immigrants from countries in the process of development with younger populations more flexible. Migration and the growth in migratory flows are today, paradoxically, the result of both the failures and the successes of globalisation.

On the other hand, within the context of the complementary process of the emergence of the knowledge society, the circulation of human capital constitutes a
fundamental variable for the diffusion of tacit knowledge and the densification of knowledge networks, as it is evident that there is increasing competition for the attraction of ‘knowledge workers’ and brains among the main international actors. This strategic orientation has been followed for a long time, and with much success, by the USA and more recently by China, Japan and many European countries. The mobility of talents and the capacity to attract them is a decisive factor in the knowledge society, essential for the process of innovation and the consolidation of competitiveness. This factor facilitates overcoming the logic of the ‘zero-sum’ game within which the phenomenon of the ‘brain drain’ is traditionally analysed, providing for a new system of sharing of talents. This system could also function as an element of the relationships between different knowledge networks. In view of this, migration paradoxically emerges simultaneously as a consequence and a cause of the densification of the knowledge society.

The phenomenon of immigration in Europe, above all in relation to its expansion and immigration policies, has been one of the central and most polemic subjects of political debate in the European Union. Generally speaking, the issue of immigration is addressed from a negative perspective associated with problems (unemployment, racism, criminality) and with financial costs (unemployment benefit, social security), leading to restrictive policies of control of flows. Meanwhile the positive dimension of the phenomenon related to the economic contributions of migrant workers, the development of an intercultural society and even the facilitation of diplomatic relations between the receiving country and the origin country, is clearly marginalised. In effect, the relevance of these communities to international relations and their specific role in the foreign policy of a receiving country is a subject of growing interest and relevance in the context of globalisation, whereby the role of non-state actors and informal channels is increasingly significant.

Diasporas, characterised by a strong cultural identity, the maintenance of links with the country of origin and transnational identity, have began to play a role of increasing relevance in the global society, where non-state actors emerge in the first instance with an increasing economic weight and in some cases also political weight. For origin states, they constitute potential fundamental strategic actors in responding to the new challenges of globalisation, conferring upon them an additional competitive advantage in the global knowledge economy/society. However, for receiving countries, their relevance has also been increased not only as a dynamic factor in entrepreneurship and as a corrector of demographic imbalances, but also with a special connecting link with the origin state and as a vector in the respective bilateral foreign policy.
2. Cultural diasporas

The term diaspora is of Greek origin and means ‘dispersion’. It was frequently used in the past to designate situations of forced exodus of populations, in frightening situations, as occurred as a result of the persecutions of Jewish people, and flight from the genocide that the Armenian population were the victims of.

In present times, however, the word diaspora has acquired a new meaning, in sociological and also political terms, directly linked to situations of international migration, when they are characterised by a certain degree of temporal permanence; some diversity in destinations; and, above all, when there is a strong sense of belonging among the immigrant communities in relation to their country of origin and ancestral cultural roots.

Contemporary academic literature on migrations abounds in works dedicated to the analysis and development of the concept of diaspora, with numerous references to the diasporas of greatest demographic dimensions, such as the Chinese and Indian diasporas, but without neglecting others of lesser numbers, among which could be mentioned, for example, the cases of the Irish, the Polish and the Portuguese, or in even lesser numbers that of the Cape Verdians.

In terms of migration sociology, the expression ‘Ethnic Diaspora’ is frequently used, in a somewhat redundant form, seeking perhaps to emphasise that one of the characteristics to be considered in the study of immigrant communities resides in the common ethnic origin of the individuals of which each of the communities are constituted. From another perspective, the designation ‘Cultural Diaspora’ adopted here aims to highlight, above all, the cultural cement that serves to construct, among the various individuals considered, the feeling of common belonging that interlinks them, as well as linking them to the country (or region) of origin.

The concept of diaspora has been used in the past in a sense practically confined to that of forced emigration for reasons of a sudden and catastrophic nature, as mentioned above. Cultural Diasporas have a much broader meaning and can be understood as consisting of a common regional identity, applied, for example, to the Maghreb origin of a great number of immigrants in various European receiving countries, or to an identity with a religious basis, such as that which exists among the Ismaili community in various countries of the world, with the Aga-Khan as their spiritual mentor.

The increased importance of the concept of Cultural Diaspora also results from the increased ease of movement between the most distant points on the globe, facilitating a very effective diversification of all forms of human mobility, setting out
from all origins and heading for any destination. On the other hand, the increasingly more accessible comfort, speed and price of the transportation of messages in sound and image, namely through communications via the internet, contribute to the fact that there is a natural, frequent and continuous connection between immigrants and their homelands and families. In this process, participants exercise the use of an original vehicular language and direct contact with all types of cultural manifestations that can take place at either of the two extremes of the migratory journey.

The effects referred to here will be further boosted by the generalisation of systems of broadband, mobile telephones and cable and satellite television, contributing to the globalisation of cultural imports of all types, but also facilitating direct contact between expatriated individuals and their origin cultures, thereby conserving their essential features over time.

From this perspective, it can be understood that a growing ‘cross-pollination’ of individuals is inevitable. These individuals, born in a given country and region of the world, are transported, as though carried by the wind, to very different destinations, where they will perhaps create roots, bloom and reproduce themselves as new individuals, though they will have in the meantime brought to these new lands the mark of their original cultural personality.

Also in terms of political discourse, the use of the term ‘diaspora’ tends to continually expand its coverage, appearing frequently associated with any situation of migration, without any great scruples of semantic rigour. An even greater level of this conceptual inflation is translated into the use of the word, without any denotative justification, to indicate groups in reference to issues such as gender and sexual preference.

Returning to the concept of the Cultural Diaspora, the confluence of groups of people who carry with them diverse cultures can be observed, in contemporary times, in all of the great metropolises of migrant receiving countries and which typically receive very significant percentages of individuals from various origins, who are easily detected because of clear differences in their facial features or particularities in their mode of dress. In more economically prosperous countries, the penetration of immigrant communities can also reach urban centres of smaller dimensions as well as rural or peripheral regions where there are significant labour shortages.

Therefore, in almost all of the regions and countries of the globe, the day-to-day coexistence of various communities with distinct ethnic and cultural origins requires them to remodel their behaviour and attitudes in order to be able to constitute, in their entirety, a society which, though very multicultural, cannot become anomic, at the risk of a grave social rupture.
In fact, with the passage of time, the failure of some of the models for the organisation of multi-ethnic societies has become evident: assimilationism and the corresponding ideal of cultural homogenisation according to a single pattern - the metaphor of the melting pot - has shown itself to be irredeemably utopian; multiculturalism, postulating the ‘separate coexistence’ of distinct communities, each subject to their own codes of conduct and, perhaps even each with their own system of laws and values, tended to create inequalities, misunderstandings and disputes, as such values, as seen by the different communities present, were incompatible.

The intercultural perspective, based on the search for common knowledge of the various cultures present and on mutual respect between them, though subject to codes and law systems with general coverage and application, seems to represent the greatest potential for success in the organisation of multicultural societies. Nevertheless, this implies that in no case would access by all residents of the country to the benefits of citizenship be denied, representing a true proposal to enable, by all means possible, the full integration of immigrants living there; otherwise the very exclusion of citizenship could be justly invoked as a sufficient argument for the non-conformity by all individuals to the laws that apply in a given country.

In sum, diasporas, characterised by a strong cultural identity and the maintenance of links with the country of origin, which have been consolidated with the acceleration of migratory movements in recent decades, constitute fundamental strategic actors for origin states in responding successfully to the new challenges of globalisation and the emergence of a knowledge society, conferring them with an additional competitive advantage in the global knowledge economy/society. Though this is an informal dimension, in general less visible, communities of emigrants tend to play a crucial role as channels of information and of provision of economic intelligence on markets, facilitating flows of trade and Foreign Direct Investment (FDI), as well as connection to knowledge networks.

This new strategic vision in which emigrant communities abroad are seen as instruments of foreign policy by the countries of origin is paradigmatically exemplified by the way in which China has mobilised its diaspora. The contribution of emigrants is decisive in understanding the success of the Chinese economy and of its integration into the global economy; as are the efforts that India has been undertaking since 2003 to define and implement a pro-active strategy to mobilise the capacities and the entrepreneurial potential of communities abroad to reinforce their ties with India. The analysis of the structure, entrepreneurial strategy and actions of the Chinese business community in Portugal is particularly relevant as a case study for understanding the new functions assumed by diasporas in the context of globalisation.
3. The Chinese business community in Portugal

The Chinese immigrant community in Portugal has expanded at a significant pace. According to official data and considering residence permits together with stay permits, the Chinese community reached a total of 9,059 individuals in 2003 – representing around 2.3% of the official number of foreigners in Portugal, comprising the largest Asian community (ahead of India and Pakistan) and the twelfth largest foreign community – increasing to 10,167 in 2006 and 10,448 in 2007. This is a growth rate of 2.7% on the previous year, contrasting with the general trend of a reduction in the large immigrant communities, which is the case for the Brazilians, Cape Verdeans and Ukrainians. However, the actual number of people of Chinese ethnicity in Portugal is much greater - based on unofficial estimates by Chinese associations, it is more likely to be closer to 15,000 to 17,000.

The growth in the number of Chinese immigrants is significant, as it has almost doubled between 1995 and 2006, with a growth rate during that period of 476%, which can be placed within the general framework of growth in Chinese immigration flows to Southern European countries (Spain, Italy and Portugal), from the mid-1990s. This was a consequence of two parallel processes: the increase in overall flows from China, and re-emigration of immigrants settled in Northern Europe, who because of the market saturation there decided to follow a strategy of diversification towards countries with less of a tradition of Chinese migratory flows, seeking new business opportunities. It should be noted that although there was a reduction in the total foreign population in Portugal of -7% in 2005 and -1.3% in 2006 after the peak in 2004, the total Chinese population has been continually increasing.

There is a tendency towards geographic concentration among the Chinese immigrants, with over three-quarters located in the three main districts of Lisbon, Porto and Faro, in total representing 76.1% of the community. However, there are signs of a trend towards some geographic diversification in favour of other zones in the country, which has already resulted in a reduction in the relative weight of the community in Lisbon and Faro, and an increase in the numbers in Porto, Setúbal and Santarém, suggesting the existence of a phenomenon of dispersion of immigrants to secondary centres.

The majority of the Chinese population resident in Portugal is relatively young, based on an analysis undertaken by Chinese associations, which showed that over two-thirds of the population were younger than 40 years old (68%) – 29.6% younger than 30 and 38.5% between 31 and 40 years old – while around one-quarter were between 41 and 50 years old (24.7%) (Liga dos Chineses em Portugal, 2005).
There has been a trend towards an increase in the proportion of entrepreneurs and self-employed among Chinese immigrants, which grew from 9.4% of the total in 1990 to 17.4% in 2000, though with employees still representing a dominant group at 82.6%. There is an official rate of entrepreneurship among the community of around 17% which is considered quite high, but the actual rate would be even higher, at about 25%.

The combined research project between the IIEI and the CEMRI\(^5\) carried out between 2003 and 2005 and coordinated by the authors, consisted of an in-depth analysis of the characteristics and the dynamics of the community of Chinese entrepreneurs in Portugal, involving the application of a survey and the undertaking of interviews with entrepreneurs and leaders of Chinese associations. The fundamental conclusions of this research are particularly relevant and revealing in relation to the role of Chinese immigrants in the context of glocalisation.

**Heterogeneity of the community**

In the first place it is important to refer to the heterogeneity of the Chinese community. There are three sub-groups of Chinese entrepreneurs in Portugal: (i) entrepreneurs originating in Mozambique who arrived in Portugal during the 1970s; (ii) Chinese entrepreneurs from the People’s Republic of China (PRC) who constitute the dominant group and the majority of whom originate in the province of Zhejiang (just like in other European countries, particularly in Southern Europe), whose immigration began in the 1980s with two distinct waves; and (iii) entrepreneurs coming from the Southern Chinese triangle during the 1990s (Macau, Hong Kong and Taiwan).

These three groups differentiate from one another not only due to their geographic origin but above all because of language, cultural references and due to the breadth of their network of international contacts. This leads to the conclusion that despite common cultural features, these groups have different identities and function in a separate manner with a low level of interaction amongst themselves. For example, there are cultural and linguistic barriers between the Mozambican and PRC communities, as the former speak Cantonese and the latter a Zhejiang dialect, together with the existence of distinct cultural references that translate into a different level of integration into Western culture. This fact, together with direct competition in terms of businesses, explains the veritable absence of contacts and partnerships between the communities, despite the fact that the know-how of the Chinese entrepreneurs from Mozambique about the market and the Portuguese cultural context would be of added value for the successful integration of entrepreneurs from the PRC.
The great majority of Chinese entrepreneurs, more than four-fifths, are from the People’s Republic of China (83%), with entrepreneurs from Hong Kong (5%) and Mozambique (5%) emerging in second place, followed by entrepreneurs from Macau (3%). In relation to entrepreneurs originating from the PRC, the great majority are from the Province of Zhejiang, located to the south of Shanghai, and representing 74% of all entrepreneurs from the PRC. In the Province of Zhejiang there are two dominant cities/regions, firstly the port city of Wenzhou, which represents 35% of the total of entrepreneurs from Zhejiang and in second place the rural zone of Qingtian, with 22%, which constitute, in accordance with various studies undertaken in other European cities, two traditional zones of emigration to Europe.

**Different motivations**

Secondly, the motivations of these sub-groups are also distinct. The group originating in Mozambique left the country during the process of de-colonisation and chose Portugal for political reasons. This fact led to a reduction in international contacts (which had been intense with China during the colonial period) and a concentration of activities in the Portuguese market in an unfavourable situation and in a context that at that time was more restrictive. The group originating from Hong Kong and Macau (Taiwan in practice finds little expression) immigrated for reasons related to the process of transition of sovereignty to China, above all during the 1990s, as a response to the uncertainty about the political and economic future of the two administrative regions. They brought with them not only international contacts with clients and suppliers but also, with increased value, their integration into the network of Overseas Chinese.

The final group, comprising entrepreneurs from the PRC, is associated with emigration in two distinct phases. The first sub-group, who immigrated during the 1980s, did so within the framework of an ‘immigration of necessity’, motivated by economic difficulties in the PRC, and chose Portugal fundamentally because of the existence family ties with emigrants already settled there. The second sub-group, who immigrated from the second half of the 1990s onwards, did so within the framework of ‘immigration of opportunity’, taking part in the process of integration of the Chinese economy into the global economy, and chose Portugal based on business opportunities. In this latter sub-group, it is important to underline that Portugal is not seen in isolation but as an integral part of the European market.

The first movement during the 1980s is fundamentally explained by the beginning of the opening up of the PRC and of its “4 Modernisations” programme of reforms, which determined the more open attitude and a new policy of relative liberalisation in relation to emigration, manifested in the 1985 emigration law.
Nevertheless, we are still in the initial phase of reforms in which, as a result of the strategy of risk reduction adopted by Deng Xiaoping, the reforms were geographically circumscribed initially to Guangdong, which emerges as the region leading the process, and to a lesser extent, Fujian. Therefore prosperity and economic growth were concentrated in the Southern region of China, especially in the zones bordering Macau and Hong Kong in Guangdong and Fujian.

The process of reforms and economic growth only gradually spread and extended to other coastal regions to the North during the end of the 1980s and the first half of the 1990s. The regions of origin of the immigrants of this first phase, Zhejiang, such as Shanghai, did not participate in this initial phase of economic growth, as they had previously been regions that were dealing with economic difficulties during the 1980s. Therefore, this migratory flow emerged essentially as a response to the economic difficulties and poverty that affected the majority of regions of China, and so it emerges as an immigration that can be characterised as of ‘necessity’.

On the other hand, the movement initiated in the second half of the 1990s could be characterised as an ‘immigration of opportunity’, by the way in which the dominant motivation was that of internationalisation and taking advantage of the opportunities in foreign markets. With effect during the second half of the decade of the 1990s, the regions of origin of Chinese entrepreneurs in Portugal, especially Zhejiang, already had seen significant prosperity associated with the emergence of Shanghai as a great economic centre. Therefore Zhejiang emerged in 2000 in eighth place among the Chinese provinces in terms of human development rates and in fourth place in terms of GDP per capita. In this context, the reasons for the migratory flows were no longer economic difficulties, as immigrants originated from the most developed parts of Zhejiang, but they were related to the potential of human capital, the pro-active emigration strategy of the province, and the objectives of economic internationalisation and integration into the world economy.

During the 1990s, it should be mentioned that there was another further specific cause related to the process of reunification of China and the transferral of sovereignty over Hong Kong and Macau to the PRC - the ‘handover effect’. A crisis of confidence over the future of Hong Kong that marked the final phase of transition and uncertainty in relation to the will and capacity of China to respect its commitments and preserve the model of ‘one country, two systems’, caused an exodus of various workers and entrepreneurs from Hong Kong. They sought alternative centres to set up their businesses as a risk-management strategy. Although the majority of these entrepreneurs chose Canada, the USA and Australia, and to a lesser extent, the United Kingdom, there were also flows to other European countries.
**Characteristics of the business**

Thirdly, in relation to the characteristics of the business, it was possible to conclude that Chinese firms are typically micro- and small enterprises run by a family and with a centralised decision-making structure. Nevertheless, this does not imply that there are no entrepreneurs with some international dimension. These entrepreneurs, along the lines of the Chinese company organisation model, opt for a portfolio of SMEs instead of one big firm, which reduces their visibility and allows better management of risk. This objective is achieved through two distinct mechanisms: geographic dispersion of the business involving different establishments in different zones of the country; and sectoral diversity, with different enterprises operating in a coordinated form in differentiated sectors. There is heightened flexibility, translating into speed in entering and exiting a particular business and market sector. The response to the changes is more associated with exiting a sector for another than with adaptations to changes in the market in the same sector, which is rendered difficult by the centralising nature of the processes of decision-making controlled by the leader of the family group.

Chinese businesses operate predominantly in the service sector, with particular incidence in trade, whether retail or wholesale, as well as in import-export. This fact translates into an evolution in the way in which the weight of the traditional restaurant sector diminished. Furthermore, it is clear that as a rule, Chinese businesses function on a wider scale than the national market, namely at an Iberian or European level, and achieve a certain level of sophistication in the way in which they adopt the perspective of an extended value chain which also begins to include the secondary sector. It should be noted that one of the innovative trends is the emergence of Chinese investment in industry, above all in the textile and clothing sector - the repetition in Portugal of a phenomenon that has already been verified previously in other European countries such as Italy and Spain.

Chinese firms relate mostly with other Chinese firms in Portugal as clients and suppliers, but contrary to expectations, they have a more complex and broader relationship with other Chinese firms. One of the most notable features is the number of firms with relations with Chinese firms that operate in other European Union countries (the study identified Spain, France and Italy as the most important) essentially as suppliers, which suggests the existence of a relatively developed network at a European level. This network translates into privileged guanxi relationships which for their part allow Chinese entrepreneurs in Portugal to enhance their competitiveness through the acquisition of more favourable commercial credit, prices and payment conditions.

The European approach is also manifested through the practice of taking advantage of business opportunities in other European countries. In this context, it
should be highlighted above all that the group of more recent immigrants have
great mobility in the European space, as in many cases their entry into Portugal
was the result of re-emigration from another European country. It can be conclu-
ded, therefore, that Chinese entrepreneurs have a vision at a European scale that
is much more pronounced. They take advantage of opportunities from this stan-
dpoint, more than many Portuguese entrepreneurs at the level of SMEs, whose
focus is still very restricted to the national or even local market.

The level of the relationship with Portuguese firms is significant, though less den-
se, and is framed above all as clients and less so as suppliers. Nevertheless, it is
clear that there are no partnership relationships despite the potential advantages
that such a relationship could bring at a domestic level, whether in the approach
to the Chinese or even the European market.

It is important to note in this context that, contrary to the dominant perception
that tends to emphasise the negative aspects associated with a presumed disloyal
competition, there exists a positive contribution by the Chinese entrepreneurial
community to the Portuguese economy that is normally not understood. This con-
tribution manifests itself at various levels. In the first place, Chinese entrepre-
neurs contribute to job creation in Portugal. The survey evinced the creation of
jobs occupied by Portuguese people and not the exclusive use of Chinese labour.
In the second place, they contributed to the increase in competition, with positi-
ve effects for consumers. Thirdly, Chinese investment in sectors that had been
in decline was identified, acquiring and rendering viable firms that were on the
verge of collapsing, maintaining their productive capacity and a part of the jobs
in the region.

Recent polemics involving Portuguese and Chinese traders in the North of the
country are illustrative of the lack of understanding of the basis of the competiti-
eness of Chinese businesses in Portugal. This comprises: guanxi, an integrated
vision of the European market, and a strategic plan aimed at a market sector
experiencing growth, even at times of recession, and a great flexibility in response
to the market. The guanxi and the underlying relationships of confidence contri-
bute to the reduction of risk as well as of transaction costs and in this way of the
actual prices in practice. This is facilitated by the way in which social contacts
guarantee the fulfilment of obligations. On the other hand, they also facilitate the
concession of commercial credit, contributing to a reduction in financial costs, of
great benefit for the Chinese wholesalers in Portugal relative to wholesalers of
greater size in other European countries and for retailers in relation to wholesa-
lers in Portugal.

In the same way, an integrated vision of the European market allows not only the
use of cheaper sources of inputs outside of the Portuguese market, characteri-
sed by significant restrictions on competition, but also taking advantage of the economies of scale of operators of greater size in other countries. This strategic plan is characterised by a great flexibility that seeks to accompany business opportunities that are opened up through diversification. Furthermore, working in a sector of the mass consumer market in relatively cheap non-durable goods is a particularly adequate strategy for the current Portuguese economic situation.

Connections with China

One of the most significant conclusions of the study is the heightened intensity of the relationship of the Chinese entrepreneurs with the PRC, prioritising the region of origin of the emigrants. The most significant result is that those relations are not limited to one social sphere, but they have an increasing economic dimension whether at a commercial level or, even more significantly, at the level of direct investment in China.

The most significant data are on the dimensions of the new phenomenon of direct investment by Chinese entrepreneurs based in Portugal in China. The data from the survey reveal that around 20% of the entrepreneurs already had investment projects in China motivated by the business opportunities associated with the growth of the economy and the diversification of a different business sector to that in which they operated in Portugal. Within the context of the interviews it was concluded that there are still many entrepreneurs with the intention of realising medium-term investments in China and who demonstrate a trend that will tend to be reinforced in the coming years.

The investments have two distinct manifestations. Firstly, there are investments in the same sectors in which the entrepreneurs operate in Portugal, a rationale of expansion of the businesses that takes advantage of contacts created in Europe and knowhow accumulated, together with links to China. One example of this is the investment that a firm is undertaking at this moment in Shanghai with the construction of a transformation unit for marble with point technology of significant dimensions, based simultaneously on production for the local and export market. This investment was made with the local partner in order to facilitate insertion in the Chinese market. Secondly, investments are made in China that have the objective not only of exploiting local opportunities but also the diversification of the business, investing in sectors different from those in which they operate in Portugal. Some cases were registered of investment in the property sector in regions of origin by the entrepreneurs as well as in small industrial units.

This phenomenon of investment growth among Chinese entrepreneurs in China is explained not only by the business opportunities in a market in expansion but also by the more favourable treatment and active welcoming policy that the Chinese
authorities, especially at a regional and a local level, offer to Overseas Chinese. These advantages translate into more favourable conditions of access to local credit, access to land for construction at low prices and the simplification and reduction of bureaucracy in the administrative approval processes. A convergence of interests is therefore visible between the Chinese entrepreneurs in Portugal and the regional authorities in China, as the former exercise strategic functions as gates of entrance for PRC exports in Europe and as recruiters of foreign investment.

**Chinese associative activity and provincial paradiplomacy**

Chinese associative activity has a very close relationship and an instrumental function in the stimulation of economic relations between Chinese entrepreneurs in Portugal and China. It is interesting to note that Chinese associative activity in Portugal has essentially external objectives and not so much internal, serving fundamentally to strengthen privileged relationships with the Chinese Government and the regional authorities, granting leaders a special status and more favourable treatment. As a consequence, associative activity in Portugal has not been used as much as an instrument in relation to the receiving country to express common interests to the Portuguese authorities or to organise services for members, a feature that in extreme cases leads to the recognition of an association by the Chinese Government without it even having a legal existence in Portugal.

In effect, various Chinese entrepreneurs in Portugal have formal positions in the Provincial and Municipal Consultative Councils. It has been indicated within the context of the interviews undertaken that at this moment there are three provincial political councillors and one municipal councillor. This fact translates into a strategy among the provincial and municipal governments that is more active internationally in the promotion of the specific economic interests of its regions, using ‘paradiplomacy’ as an essential instrument of these actions with the networks of Chinese entrepreneurs who originate from these regions. This is integrated into a background tendency of the emergence of a new paradiplomacy in the Chinese provinces, not of all of them, but essentially the most prosperous ones with a higher level of integration in the global economy.

These provinces have been developing their paradiplomacy in an active way with the approval of the Central Government, developing direct relations with European regions, as is the case with Jiangsu and its network of representatives in Europe centred on Düsseldorf, and with Zhejiang, Shanghai or Shandong with privileged connections to Bavaria. In Portugal some Chinese entrepreneurs were named ‘informal economic ambassadors’ of Chinese cities as in the case of the President of the League of Chinese in Portugal who was named ‘Ambassador for the capture of foreign investment’ for the city of Quingdao in Zhejiang province.
The function of these ambassadors in particular and of the networks in general also includes the recruitment of foreign investment from European entrepreneurs, particularly from SMEs. However, in the surveys as well as in the interviews undertaken, not a single case was located of the concretisation of the investments of Portuguese entrepreneurs in China – in isolation or in partnership with Chinese entrepreneurs – through these channels. This fact could be explained by the attitude of risk aversion among Portuguese SMEs, though the survey also suggested that there were difficulties in relations between Chinese and Portuguese entrepreneurs stemming in the first instance from differences in ways of doing business, as well as communication difficulties stemming from the language.

The interviews also indicated that Chinese entrepreneurs have a certain openness to the possibility of constructing partnerships with Portuguese SMEs for investment in the Chinese market, but there has not been a response on the Portuguese part. It should be noted that on the part of Portuguese firms there is an essential attitude of little openness to inter-company cooperation and reduced propensity towards involvement in processes of cooperation as demonstrated by a recent study by the Observatory of European SMEs, involving 19 European countries. One of the conclusions of the study was that the Portuguese SMEs register the lowest level of cooperation, on the one hand, and that even the few that do use this strategy of reinforcing competitiveness have a preference for formal mechanisms of cooperation that reflect a significant level of distrust (Observatory of European SMEs, 2003).

Nevertheless, these partnerships are a potential instrument of great interest in a strategy of internationalisation in the manner in which the SMEs can take part in the guanxi of the Chinese partners and therefore reduce the risk and improve their knowledge and access to the market. For this reason, the obstacles to inter-company cooperation represent a subject requiring more in-depth research.

Chinese entrepreneurs’ links with China are strong and above all actively exploited and promoted by the Central Government, but also by the Chinese provincial and local authorities. We see a profile becoming continually more structured in relation to Chinese entrepreneurs abroad, namely in Europe, who are an integral part of the strategy of development of China and its integration in the global economy. In particular, in the context of the dynamics of the globalisation of commercial exchange and investments, Chinese entrepreneurs in Europe, particularly in Portugal, play a fundamental strategic role at three distinct levels: as a gate of entry for Chinese exports; funding investment in China through reinvestment of profits obtained in Europe; and as facilitators of a process of Chinese direct investment in Europe and in the Portuguese-speaking world, functioning in some cases as partners with Chinese businesses for this reason.
4. Implications for Portugal-China relations

In this context, Chinese entrepreneurs in Portugal can and should be seen as a crucial strategic factor in the formulation of a coherent long-term Portuguese strategy of relations with China. There are various domains in which the strategic role of the Chinese business community could be considered, but the following are of particular relevance:

(i) Promotion of cooperation between Chinese entrepreneurs and Portuguese SMEs from the perspective of the constitution of partnerships for the realisation of mutual investments in China: The involvement of the Chinese partners allows the political risks and the transaction costs in approaching the Chinese market to be reduced. The greatest challenge to the competitiveness of the Portuguese economy is the internationalisation of the SMEs, a process that has faced various obstacles from structural limitations and limitations of resources to an attitude of greater risk aversion. The data available reveal that Portuguese SMEs represent the lowest levels of internationalisation in the EU-15. Therefore, the Chinese business community should be seen precisely as a potential facilitator of the internationalisation of Portuguese SMEs in relation to the Chinese market, but also other markets in Asia. This is on the basis of connections with networks of Overseas Chinese, markets that present a higher potential for growth whether in the present or the future.

(ii) Active policy of attraction of Chinese investment for the industrial sectors in decline and under great pressure from Chinese competition (textiles, clothing, toys and in the short term footwear and electronic and electric goods) as an alternative to the passive attitude and purely protectionist orthodoxy that has predominated: The search for alliances and partnerships with competitors is a phenomenon to which little attention has been paid but which should be considered in greater depth. There are indications of interest by Chinese entrepreneurs in the textile and footwear sectors in Portugal, demonstrated by the existence of some investments, which allowed these firms to avoid collapse and the elimination of productive capacity, but also the partial recuperation of sectors in difficulties. Therefore, it would make sense to create more favourable conditions for this type of investment, simplifying procedures and accelerating decision-making processes.

(iii) Attraction of Chinese direct investment in Portugal on a long-term basis in future sectors in which complementary interests exist, thereby keeping up with a trend that has already begun, and which will be expanded significantly in the next decade, based on the exponential increase in Chinese investment abroad: China is not only a great receiver of FDI but is also beginning to be an exporter of capital, with the expectation of its emergence as one of the great investors at a global level. Portugal could capture a part of this Chinese investment by involving Chinese
entrepreneurs in Portugal as ‘informal ambassadors’ to their regions in China, in this way seeking to understand what are the primary sectors for China and disseminating information on the package of incentives offered by Portugal.

Some recent investments in Portugal benefited from this facilitation. This was the case with the investment in the creation of a ‘green’ battery factory by the Chinese group Shanghai Union Technology Co. Ltd, which involved a total amount of €221 million and the creation of around 580 jobs. The first phase was implemented in 2008. Another case was a project to create a logistical platform in Beja to distribute Chinese products in the Iberian Peninsula and other European countries, taking advantage of the links between the Beja Airport and the Port of Sines and an industrial platform.

Given the strategic role of tourism for Portugal and the fact that China is the market of origin of tourists with the greatest potential for growth in the coming decades, this would be another sector of irrefutable interest. In 2007 a total of 40 million Chinese tourists travelled abroad, though only 5% had Europe as a destination, spending a total amount of US$30 billion. The estimates point to a total number of Chinese tourists that doubled between 2003 and 2007 and could reach around 100 million in 2020.9

(iv) At an institutional level, there is an opportunity for decentralisation and diversification of relations with China, promoting more regular and direct links between regions and municipalities (as local governments) in Portugal with provinces and sub-regions in China, taking advantage of the privileged links that many Chinese entrepreneurs maintain with their regions of origin. In this way it would be possible to go beyond the current situation of a strongly centralised relationship, dominated by Lisbon-Beijing relationships between central governments. In this situation, Portugal has a comparatively limited weight, even less so now than before 1999, and needs to gain ground. The Portuguese approach should not be a comprehensive approach in the area of economic relations based on an integrated perspective in the Chinese market, but it should rather be a more disaggregated, selective and specialised approach, promoting concentration on a smaller number of provinces, sub-regions and even counties and cities, at a scale more adequate to that of the Portuguese economy and Portuguese firms.

(v) In this context, Chinese entrepreneurs in Portugal can contribute through their contacts to the development of paradiplomacy activities on the part of Portuguese sub-national organisations, with special attention to the interior regions of China that are less developed, where opportunities are greater for SMEs. These decentralised institutional linkages are important in the facilitation of access to the market by Portuguese firms and the reduction of transaction costs and of de facto discriminatory practices. The economic relations have to do with an institutional
coverage, more relevant in the context of the Chinese economy, still completing the full transition to a market economy in which the State exercises a strong influence on the economy and controls strategic aspects. Links with Zhejiang and especially with Wenzhou and Qintiang are the most obvious, given the dominant weight of entrepreneurs originating from this region, but there are many other possibilities given that the diversity of areas of origin in China of Chinese entrepreneurs in Portugal is considerable.

The enhancement of knowledge about Chinese business culture is essential for an approach to the Chinese market by Portuguese entrepreneurs, given the cultural distance between the two countries and the great deficit of knowledge about China prevalent in Portugal. This situation can be overcome by the action of the Chinese business community. Interaction with Chinese entrepreneurs in Portugal provides an excellent opportunity to get to know Chinese business culture as well as more general aspects of Chinese culture and regional specificities. From this perspective it would be of special interest for the Portuguese authorities and civil society itself to have a greater involvement in the mutual organisation with the Chinese community of initiatives in Portugal for the dissemination of Chinese culture, reality and the opportunities of 'Chinese markets', as well as Chinese language tuition.

5. Conclusions

In the context of glocalisation and particularly as a result of the dynamics of transition to a knowledge society, flows of people and human capital have assumed an increased strategic relevance, conferring on migration a central position and contributing to the emergence of a more positive vision that underlines the importance of informal linkages and non-state actors. This permits us to see diasporas as privileged links in the relationship of the receiving country with the respective sending country, as strategic factors of the foreign policy of the sending country and as a fundamental instrument of their 'soft power'.

The Chinese business community in Portugal is characterised by its heterogeneity (involving sub-groups with different cultural influences and levels of internationalisation), high levels of entrepreneurship, great mobility and an integrated vision of the European market, the advantages of which are founded at a basic level on the activation of a complex guanxi network, and by a considerable level of internationalisation, where significant economic ties with China are included. This community illustrates in a clear way a new vision of the role of immigrants, as links in the chain between the local and the global, and catalysts for the integration of China into the world economy, but also for the dissemination of Chinese culture.
The fundamental thesis supported in the interpretation of the research data is that the Chinese business community, who act in accordance with an integrated European strategy and are not only restricted to the Portuguese space, carry out three complementary functions in relation to China: (i) catalysts for economic flows: gates of entry for Chinese exports in Portugal; investors and mobilisers of foreign investment for the Chinese economy; but equally potential partners for a new strategy of Chinese investment abroad; (ii) sources of economic intelligence, organised and made available through entrepreneurial experience on site, information on business opportunities, characteristics of the markets and local business culture for the Chinese authorities, and (iii) institutional brokers, namely through associations, between Chinese provincial and local governments and Portuguese regional and local authorities, functioning as agents of decentralised Chinese paradiplomacy.

Therefore the Chinese diaspora should be seen as a significant informal instrument of the ‘soft power’ of China in the exact way in which it combines economic power, associated with the capacity for investment and innovation, and culture, contributing to the projection of Chinese culture and the reinforcement of its influence at a global level.

This analysis raises various issues around the potential of the Portuguese diaspora and the absence of a strategic vision in this area. Portuguese emigration constitutes, similar to its Chinese counterpart, a typical example of a Cultural Diaspora: established for centuries; spread out to all continents; with a very significant dimension that reaches the equivalent of half of the entire population actually resident in the country; and retaining affective and material linkages with their origins, despite the passage of decades and generations. In spite of the traditional initiatives to maintain cultural connections and attracting remittances on a passive basis, Portugal has not had a pro-active strategy of mobilisation of the Diaspora in terms of reinforcing the capacity to respond to the challenges of globalisation and its integration as a strategic factor in Portuguese foreign policy. This is, without a doubt, the fundamental challenge that Portugal is faced with, with Overseas Chinese communities constituting an example and a source of inspiration and reflection.
Notes

1 It is estimated that currently the total number of international immigrants is around 200 million people, representing about 3% of the global population, while in 1960 there were around 75 million – see: Global Commission on International Migration (2005), Report and UN Department of Economic and Social Affairs (2006), International Migration. The majority of international immigrants live in Europe (46 million), in Asia (53 million) and in North America (45 million). The countries with the most numerous stock of immigrants are: USA (38 million); Russia (12 million); Germany (10 million); Saudi Arabia (6.3 million); France (6.4 million); Canada (6.1 million); India (5.7 million) and the United Kingdom (5.4 million).

2 The Indian diaspora who have scattered to various continents over various decades, particularly from the nineteenth century onwards, now stands, according to the estimates of the High Level Committee on the Indian Diaspora (2001), at around 20 million people, living in 100 countries. However, there is a significant concentration in six countries that represent around 50% of the total, each with a community of more than one million people: Myanmar, USA, Malaysia, Saudi Arabia, the United Kingdom and South Africa. Europe has around 1.6 million Indians, less than 10% of the total diaspora, in a similar position to the USA. In the European context, the largest communities are in the United Kingdom with 1.2 million and in the Netherlands with 217,000. Portugal has the fourth biggest community of Overseas Indians, just after Italy, with around 70,000 people according to the Indian Government, with 65,000 ‘People of Indian Origin’ and 5,000 ‘Non-Resident Indians’ – ahead of France and Germany.

3 The stay permit allows foreign citizens holding an employment permit to remain legally in Portuguese territory. The immigrant must equally be registered with Social Security and pay the taxes prescribed by the law. This type of permit is valid for one year and can be renewed up to a maximum period of five years, at the end of which the foreign citizen will have to apply for a residence authorisation. The stay permit can also be granted to foreigners in Portugal without a work visa, whether they are holders of a proposed employment contract or a contract with the information of the Working Conditions Authority, and as long as they have not been sentenced to prison for longer than six months and they are not indicated in the Integrated Information System of the Portuguese Foreigners and Borders Service.

4 The residence permit allows foreign citizens to reside in Portugal, with two types of permit: (i) Temporary residence permit, valid for two years from the date of issue of the respective document and renewable for successive periods of three years, subject to updating whenever personal identification details registered on the document change; (ii) Permanent residence permit, which, although it does not have a limit of validity, is renewable every five years or whenever this is justified by changes in personal identification details.

5 Serviço de Estrangeiros e Fronteiras (Foreigners and Borders Service - Portuguese Immigration Police, SEF), Activities Report 2007, and Statistics from various years.


7 The guanxi are personal connections that involve “mutual obligations, goodwill and personal affection, with a particular emphasis on the family and the sharing of common experiences.” There are three different levels of guanxi: (i) the first and foremost involves the family, including the extended family and close friends; (ii) the second involves people with sharing of common experiences in crucial phases of life such as former schoolmates or comrades in military service; (iii) the third involves strangers with whom relationships of confidence are established subsequent to a long and demanding process. A guanxi relationship presupposes a complex system of exchanging favours and information through which the doing of a favour creates the expectation of reciprocity but without a precise date, so that some debts are prolonged for generations and are effectively reciprocated many years later. The essential principle is that the favour should be repaid through slightly greater favours in order to further the sustainability of the relationship.

8 Interview with Y Ping Chow, 06.12.2003 and communication by the President of the League of Chinese in Portugal at the “Forum Viver a Europa” organised by the IEEI on 04.11.2004 in Lisbon.

9 The expansion of Chinese investment abroad is a new phenomenon with a trend towards intensification, as there was a global stock of Chinese FDI abroad of US$73 billion in 2006, divided among many continents, including Asia, the USA, the EU, Africa and Latin America, having grown very rapidly between 2003 and 2006 from US$33 billion in 2003 to US$44 billion in 2004 and US$57 billion in 2005. Flows of Chinese FDI abroad reached the sum of US$16 billion, having tripled in relation to 2004 – see: UNCTAD (2007), World Investment Report, Appendices 9 and 12.

10 ETC/UNWTO Report (2006) Chinese Outbound Tourism Market, (prepared by the European Tour Operators Association). For 2007 data, please see World Tourism Organization statistics available at: www.unwto.org/media/news. China has also enhanced its position as a tourist destination market, as it is today the fourth biggest market with total receipts from tourism of US$78 billion, but it could reach first place in 2014, overtaking France.

11 In terms defined by Joseph Nye, “the ability to get what you want through attraction rather than coercion”. See: Nye (2004).

12 The most recent official statistics from the General-Directorate of Consular Affairs and Portuguese Communities (2007) point to a total of 4,968,856 people spread among various countries and continents, with 57% concentrated on the American continent, 31% in Europe, 7% in Africa and 3% in Asia. The largest communities, with more the 250,000 people, are, in descending order: USA (1,349,161); France (791,388); Brazil (700,000); Venezuela (400,000); Canada (357,690); South Africa (300,000); and the United Kingdom (250,000).
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