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Macao Special Administrative Region: Annual Report 2013

SUMMARY

Since the handover of Macao to the People's Republic of China in 1999, the European Union and its Member States have closely followed political and economic developments in the Macao Special Administrative Region (SAR) under the 'one country, two systems' principle. In line with the commitment given to the European Parliament in 1999, an annual report is issued on developments in Macao. This is the 12th such report, covering developments in 2013.

The EU believes that the 'one country, two systems' principle, enshrined in Macao's Basic Law, continued to work well in 2013. The rights and fundamental freedoms of Macao's people were respected. Economic policy continued to follow market-led principles, guided by the rule of law. Further progress was made on promoting transparency and good governance.

Macao's political governance system became more democratic, with additional directly elected seats in the 2013 Legislative Assembly election. The EU hopes further progress will be made in this regard, eventually leading towards universal suffrage for electing the Chief Executive and the Legislative Assembly. It is keen to work with Macao to strengthen the judiciary and improve the regulatory and institutional framework for doing business.

Bilateral relations between the EU and Macao continued to deepen. In 2013, the EU and Macao celebrated the 20th anniversary of the entry into force of the Agreement for Trade and Cooperation. The anniversary was marked by a visit to Macao by the President of the European Commission, José Manuel Barroso, in November 2013. Trade and investment relations expanded significantly and were mostly problem-free. The EU and the Macao SAR signed a Horizontal Air Services Agreement, creating an EU-wide legal framework for developing civil aviation relations with Macao.

POLITICAL DEVELOPMENTS

2013 was the fourth year in office for Chui Sai On, the Chief Executive of the Macao SAR. The government's strategic priorities continued to be diversifying the economy, strengthening regional cooperation within the Pearl River Delta, reaching out to Portuguese-speaking countries, and addressing livelihood issues.

In his annual policy address, delivered to the Legislative Assembly on 15 November 2013, the Chief Executive said that, with the central government's strong support and the concerted efforts of the government and the Macao people, the region had overcome internal and external difficulties, leading to steady social, political, economic and cultural development.

Upholding the 'putting people first' policymaking principle, the Macao Government made efforts to improve policies affecting aspects of people's well-being and to promote economic diversification. The Chief Executive highlighted the need to improve public administration, accountability, transparency and the protection of the freedom of the press, and to strengthen the rule of law.

Gradual progress on political reform was made in the Legislative Assembly election on 15 September 2013. The number of Legislative Assembly members increased from 29 to 33, with two new geographical constituency seats and two new directly elected functional constituency seats, which represent business, labour, professional, welfare, education, culture and sports interest groups. Macao voters elected representatives for 14 out of 33 seats in the Assembly. This was a modest but positive step towards strengthening the democratic basis of the Macao SAR Government.

As Macao law does not provide for political parties to field individual candidates, candidates ran as part of a list. A total of 145 candidates ran on 20 lists, vying for the votes of 277 153 registered voters. The election campaign lasted two weeks and was subject to strict rules, supervised by the electoral affairs committee. Allegations were made that the committee was not completely impartial. The Public Prosecutor's Office suggested reviewing the committee's role and extending the campaigning period from two to four weeks.

Of Macao's registered voters, 55% — or 151 881 people — cast their votes, a drop of 5% compared to the 2009 elections and the lowest turnout since 2001. Pro-establishment candidates won 23 seats (12 geographic and 11 functional constituencies), constituting a large majority. Given that the Chief Executive directly appoints members for another seven seats, the government can count on the support of almost all members of the Assembly.

In March 2013, the United Nations Human Rights Committee (HRC) reviewed Macao's ratification of the International Covenant on Civil and Political Rights. In its conclusions, it asked the Macao SAR Government submit a plan, within a year, to 'set timelines for the transition to an electoral system based on universal and equal suffrage that will ensure enjoyment by all its citizens of the right to vote and to stand for election.' The EU supports this goal.

In 2013, freedom of expression was by and large respected in Macao. Individuals continued to exercise freedom of expression without hindrance and the print and electronic media gave voice to a broad range of views. During the election period, Macao media disseminated election information and the policy platforms of different electoral lists, and raised awareness of the issues at stake among the voting public. Some concerns persisted about the state of press freedom and the government's policy on journalists' access to government information. Hong Kong journalists from opposition media, such as Apple Daily, were denied entry to Macao on two occasions. Social media, however, continued to operate freely and developed vibrantly.

Attention was particularly required in the areas of promoting transparency and good governance, as shown by several high-profile corruption cases. In 2013, the Commission Against Corruption (CCAC) reported that in 2012 it had handled 1 279 cases, including 852 new complaints, an 8% increase on the previous year. The Public Prosecutor's Office filed 183 cases for investigation, 71 cases more than in 2011, continuing an upward trend that began in 2010. Almost 60% of the cases recorded in 2012 were lodged by complainants who

provided their personal data. This showed that citizens were more willing than before to report crimes and were more aware of their rights.

ECONOMIC DEVELOPMENT

Macao's economy achieved robust growth of 11.9% of GDP in 2013, up from 9.1% in 2012. This growth was mainly driven by strong exports of services relating to the gaming and tourism sectors. Investment spending also showed a solid increase, thanks to the construction of new hotels and public housing developments. Inflation remained relatively high at 5.5%¹. This was due to inflationary pressure from higher import commodity prices and buoyant economic activity.

Tourism fared well throughout 2013, with visitor arrivals reaching 29.3 million, up 4.6% compared to the previous year. Mainland Chinese visitors represented 63.5% of the tourists, providing the major impetus for Macao's strong economic growth. Gaming revenue showed strong growth of 18.6%, to MOP 360 billion in 2013². Macao remained the largest casino market in the world, a position it has held since 2006.

Capitalising on gaming-related tourism, Macao continued to develop its conferences and exhibitions sector and its creative and cultural industries. It hosted several trade fairs, conferences and events in new areas such as automobiles, yachts, aircrafts, the environment and medical research. Casino operators built high-end shopping malls and added a variety of entertainment shows to attract tourists. Many other Asian cities continued to regard Macao as a model success story.

Macao's gaming and tourism sectors are set to further expand in the coming years. In 2013, 10 new hotels, with around 4300 rooms, were being built. Another 18 applications to build hotels, with 18500 rooms, were submitted to the government for approval. This new capacity comes on top of the existing 26000 hotel rooms in Macao, meaning that its hotel capacity will almost double by 2018, reaching 49000 rooms.

To manage the growth of the gaming sector, the government has capped the number of gambling tables. The ceiling of 5500 gambling tables was reached at the end of 2012. In 2013, the government decided to grant 250 new gambling tables to two casino operators for their newly completed casino resorts. It maintained the policy under which the new gambling tables are granted in proportion to the scale of the non-gaming business (such as shopping, conferences, entertainment shows, etc.) operated by the new casino. In the light of the rapid growth of the gaming industry, Macao made significant efforts to bring the gaming sector into the relevant frameworks and to progress towards meeting the Financial Action Task Force (FATF) standards. The EU encourages the Macao authorities to pursue all necessary efforts to

¹ All economic indicators pertaining to the Macao economy are official statistics released by the Statistics and Census Service of the Macao SAR Government.

² Source: Gaming and Inspection Coordination Bureau of the Macao SAR Government

take action against the risks inherent in the gaming sector and stands ready to engage in exchanges on this.

Despite the government's efforts, Macao's economic structure has not significantly diversified over recent years. Gaming contributed increasingly to its GDP, from 32.3% in 2009 to 45.9% in 2012.³ One quarter of its total labour force was employed in gaming and entertainment-related businesses. The government relies mainly on gaming tax for its fiscal income. Casino operators pay 35% of their gross gaming revenue as gaming tax, which contributed 81% of Macao's fiscal revenue in 2013⁴.

Given the strong growth of the gaming sector in 2013, Macao struggled with inadequate human resources. For most of the year, the unemployment rate was extremely low at 1.8%. Macao therefore relied heavily on foreign workers and professionals to meet the growing economy's needs. The number of foreign workers - which include both non-Macao workers residing in Macao based on visa/work permit, as well as workers crossing the border for work - had risen to a historic high of 137 838 by the end of 2013, accounting for 37% of the total workforce. While the business sector called for a more flexible labour import regime to ease manpower shortages, labour unions pressed to maintain protectionist measures in favour of local workers and reserve some key posts, such as croupiers in casinos, for local people. In his policy address for 2014, the Chief Executive confirmed that the government would maintain the current policy of giving residents priority access to jobs and guaranteed that non-residents would not be able to work as croupiers.

In October 2013, the Macao government carried out the first public consultation on a minimum wage for certain occupations. The consultation proposed a minimum wage for two occupations — security guards and janitors employed by property management companies. Macao is the only jurisdiction in the People's Republic of China that does not have a statutory minimum wage law.

Given the opportunities it offers for economic diversification, regional integration is a policy priority for the government. A key tool remained the Closer Economic Partnership Arrangement (CEPA) between the Macao SAR and mainland China, which will fully liberalise trade by the end of 2015. On 30 August 2013, both sides signed Supplement X. It will provide increased access for Macao companies in 28 services sectors and subsectors in mainland China. Since its implementation in 2004 up to the end of July 2013, a total of 435 certificates for Macao service providers have been issued. There are now 383 liberalisation measures for trade in services under CEPA.

The development of the special economic zone on Hengqin Island in Zhuhai, Macao's neighbouring municipality on the mainland, is a positive result of cooperation with Guangdong under the Guangdong-Macao cooperation framework agreement. The Macao-

³ Source: The Statistics and Census Service of the Macao SAR Government

⁴ Source: The Financial Services Bureau of the Macao SAR Government

Guangdong industrial park on Hengqin Island attracted strong business interest from mainland businesses and foreign companies. A total of 89 applications were received to set up business operations in the industrial park, mainly in tourism, the high-tech sector, culture, medical equipment and financial services. The new Hengqin campus of Macau University was also completed on 20 July 2013. Even though it is located on mainland territory, the new Macau University campus will be under the Macao SAR authorities' jurisdiction.

Macao continued to capitalise on its role as a hub for cooperation and trade between China and Portuguese-speaking countries. Several major events took place in 2013. The most significant one was the fourth Ministerial Conference of the Economic Cooperation Forum between China and Portuguese-speaking countries, from 5 to 6 November.

EU–MACAO COOPERATION

In 2013, the EU and Macao celebrated the 20th anniversary of the entry into force of the Agreement for Trade and Cooperation between the EU and Macao SAR. The highlight of the anniversary was the European Commission President José Manuel Barroso's visit on 23 November. President Barroso met Macao Chief Executive Chui Sai On and other members of the SAR Government. Together with the Chief Executive, he spoke at a celebratory public conference and opened an exhibition of photographs of EU capitals. Macao Post issued two special anniversary postage stamps.

The Joint Committee set up under the EU-Macao Bilateral Agreement met in Macao on 15 November 2013. It took stock of the positive overall development in bilateral relations since the Agreement's entry into force. Trade had flourished and a broad portfolio of cooperation activities had developed, in areas ranging from legal affairs to education, research and training interpreters. The Committee also discussed cooperation on tax matters, taking into account international developments in automatic exchange of information between tax authorities. Issues relating to protecting intellectual property rights and government procurement, including the World Trade Organisation Government Procurement Agreement, and regional integration, were also on the agenda. There was mutual interest in cooperating in new areas such as culture, creative industries and environmental protection. The Macao Government tabled proposals for further activities in the areas of legal cooperation, environmental protection, the fight against human trafficking and cultural and creative industries.

The EU and the Macao SAR signed the Horizontal Agreement on Certain Aspects of Air Services at a ceremony on 23 November 2013. The signing ceremony was witnessed by Macao's Chief Executive, Chui Sai On, and the European Commission President, José Manuel Barroso. The Agreement will restore legal certainty to the 15 existing bilateral air services agreements between Macao and individual EU Member States and will provide a sound basis for the development of EU-Macao aviation relations.

EU-Macao bilateral trade increased significantly in 2013. Total bilateral trade increased by 28.3% to reach EUR 656.5 million⁵. EU exports to Macao rose by 37% to EUR 542 million as Macao's import demand increased with its robust economy. EU exports were dominated by aircrafts, leather articles and beverages (mainly wine). EU imports from Macao remained stable, at EUR 114.5 million. In 2013, the EU recorded a trade surplus of EUR 428 million with Macao. It was Macao's second largest import supplier after China, accounting for 23% of its imports in 2013⁶.

The Macao-European Chamber of Commerce was set up in 2013. European Commission President Barroso officiated at its inauguration on 23 November. Before setting up the Macao-European Chamber, the European Chamber of Commerce in Hong Kong arranged for EU participation in Macao's two annual flagship events, the Macao Investment Forum and the Macao international environmental cooperation forum and exhibition. The joint EU pavilion at these two events provided significant visibility and outreach for EU firms. The two events also provided a good networking platform for visitors from mainland China.

Following its launch in December 2012, the EU-Macao academic programme organised its first activities. The programme, managed by a consortium led by the University of Macau, organised various seminars, held a major conference to mark the 20th anniversary of the EU-Macao bilateral agreement, organised several events for President Barroso's visit, and organised a successful 'Model EU' simulation of a European Council meeting.

The EU and Macao continued to train bilingual Chinese-Portuguese interpreters under a Memorandum of Understanding signed in 2012. Interpreters were trained in Macao and Brussels over a five-month period.

A photo exhibition on Macao, entitled 'Bridging Time', opened at the European Commission headquarters in December 2012. The exhibition was extended until June 2013.

The EU will continue to nurture its relationship with the Macao SAR, increase economic and trade links, improve cooperation with business and civil society and promote mobility and exchanges with the people of Macao. Key priorities for 2014 include legal cooperation, environmental protection, fighting human trafficking, cultural exchanges and academic cooperation. As part of its cooperation with Macao to diversify its economy, the EU proposed a dialogue on the regulatory framework for facilitating trade and investment, including competition, government procurement, regulatory procedures and intellectual property rights. It is also keen to cooperate with Macao on promoting EU business interests in the Hengqin special economic zone and other flagship economic initiatives.

⁵ Source: Eurostat (Comext database).

⁶ Source: The Statistics and Census Service of the Macao SAR Government.