



EUROPEAN
COMMISSION

HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 12.3.2021
JOIN(2021) 5 final

JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Macao Special Administrative Region:
Annual Report for 2020**

JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

MACAO SPECIAL ADMINISTRATIVE REGION:

ANNUAL REPORT FOR 2020

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. The EU supports the 'one country, two systems' principle and its implementation, and this annual report on developments in Macao is issued in line with the commitment given to the European Parliament in 1997.

In 2020, the 'one country, two systems' principle continued to be implemented as foreseen in the Basic Law of Macao.

The rights and fundamental freedoms of the people of Macao continued to be generally respected and the rule of law was upheld under the 'one country, two systems' principle. Macao's media continued to express a broad range of views, though there were concerns about increasing self-censorship.

While the Basic Law and other legislative acts do not provide for the introduction of universal suffrage, the EU encourages the Macao authorities to foster greater public involvement in elections for the position of Chief Executive and for the Legislative Assembly.

On the economic front, the government took effective measures to contain the spread of COVID-19, but the SAR's economy was heavily impacted by the pandemic and GDP fell sharply. This is largely explained by the fact that, despite the government's efforts to diversify Macao's economy, it still relies heavily on gaming and tourism. Travel restrictions meant that a record low number of tourists visited the SAR during the year.

There were some legislative steps forward on important social issues, such as minimum wages, maternity and paternity leave and laws governing employment agencies.

While the government rolled out support measures for the population and companies, and the labour market held up well, an economic recovery in the SAR will largely depend on when and in what numbers mainland Chinese tourists return to Macao. In the longer term, economic diversification and regional integration remain the key strategies.

I. Political and Social Developments

There were no major changes in the senior ranks of the government of Macao during the course of the year.

National security remained a prominent issue in the discourse of the Macao government, with the central government encouraging adjustments to legal and enforcement mechanisms to

safeguard national security. In October, the Judiciary Police set up a new national security unit, consisting of an information division, a crimes investigation division, an operational support division, a general affairs division, a terrorism crimes alert and investigation division, and a cybersecurity division. On 16 November, the Chief Executive said in his Policy Address that the government would formulate a law to protect confidential documents and would draw up a plan detailing unspecified new procedures in the context of the National Security Law. At present, there are no indications of plans to emulate the approach taken in Hong Kong in establishing a mainland law enforcement apparatus in the Macao SAR.

The Chief Executive launched a number of reforms of public administration. He announced plans to restructure a first batch of government offices, including merging the Education and Youth Affairs Bureau and the Higher Education Bureau. The government pledged to enhance digital governance and to improve the recruitment mechanism for civil servants.

The government took steps to strengthen protection of labour rights. The Legislative Assembly adopted an Employees' Minimum Wage Law on 16 April and the law came into force on 1 November, the first such comprehensive minimum wage law in Macao. The law stipulates that employees in the private sector – except domestic helpers and disabled workers – must receive a statutory minimum wage of MOP 32 per hour. The minimum wage will be reviewed every two years, and the government also stated that it would make good on any shortfall in wages accorded to persons with disabilities.

The Chief Executive indicated that the government would introduce legislation on trade unions to protect the rights of workers, after the repeated rejection of measures proposed by pro-democracy lawmakers.

A new law regulating employment agencies was passed on 4 September and will come into effect in March 2021. The law seeks to protect both potential employees and employers, with a specific focus on those coming to work from abroad. For example, the fee charged to potential employees should not exceed half of their first month's basic salary as stated in their employment contract.

Statutory maternity leave was increased in 2020 from 56 to 70 days. The new legal provisions also establish five days of paternity leave, up from two days of leave with no pay. Macao's maternity and paternity provisions nonetheless remain ungenerous by global standards.

A new public housing regime became effective in August, and has helped more than 2 200 qualified households to improve their living conditions. An amendment to the Economic Housing Law adjusted the application process for the Home Ownership Scheme and established a new resale regime. Additional subsidised housing is also foreseen.

The Macao SAR government took swift and decisive steps to control the spread of COVID-19, including ordering casinos to suspend operations for two weeks in February and introducing protective measures when operations resumed. Over 20 million facemasks were made available to the public at affordable prices under a government scheme. The rules for entry into Macao were adjusted to prevent the import of cases in the early days of the pandemic, with the entry of non-Macao residents from overseas destinations barred from 25

March. On 4 February, ferry services between Hong Kong and Macao were suspended; on 5 April, bus services between Macao and Hong Kong were suspended until further notice.

The mainland Chinese authorities resumed issuing visas to allow residents to visit Macao for leisure travel purposes from August. Overall, the COVID-19 outbreak resulted in 46 confirmed cases and no deaths.

In October, in a speech delivered at the opening ceremony of the Legal Year 2020/2021, the President of the Court of Final Appeal of Macao referred to challenges faced by the SAR's legal system. He highlighted the continuing influence of the Portuguese system in the context of the implementation of 'one country, two systems', while also expressing the view that Macao and Portugal shared different ethical standards, moral values, customs and culture.

The government is continuing to install large numbers of surveillance cameras, with 4 200 cameras expected to be in place by 2028, according to official plans. The authorities argue that such surveillance is justified because it supports the fight against crime.

Rights, freedoms and equal opportunities

Rights, fundamental freedoms and the rule of law were generally respected to the extent guaranteed in the Basic Law of Macao and in conformity with the 'one country, two systems' principle.

There continue to be no moves to establish an independent human rights body in response to the recommendation issued by the UN Committee against Torture in December 2015.

Press freedom was generally respected, though self-censorship is a feature of the media landscape. The Macau Portuguese and English Press Association (AIPIM) released a statement on 18 March voicing concern at the inclusion of Macao and Hong Kong in the Central Government's decision to ban American journalists from three US media outlets from working in China. The AIPIM statement also raised worries over the negative impact of the escalating tensions between the United States and China on press freedom.

In October, the early closure without explanation of the World Press Photo Exhibition 2020 prompted statements of concern, including from the AIPIM. The exhibition included depictions of the social unrest in Hong Kong. The AIPIM stated that 'If [this] is a result of pressure related to some photographs on display, then we consider it to be a serious and worrying incident that signals an erosion of freedom of expression'.

Freedom of assembly continued to be generally respected in Macao, **though the COVID-19 outbreak had an impact on the exercise of various freedoms**. The Macao Journalists Association (AJM) said that government departments should not have cancelled all press conferences on the grounds of controlling COVID-19. The group urged the Government Information Bureau to balance the need for a free flow of information with that of combating the epidemic.

The Public Security Police Force rejected the application from the Democratic Development Union to organise the annual candlelight vigil to commemorate the Tiananmen crackdown,

citing concerns about controlling COVID-19. A separate application to hold a photo exhibition was also rejected. On the night of 4 June, two daughters of pro-democracy lawmaker Au Kam San were detained for allegedly holding an illegal gathering. In a report submitted to the United Nations Human Rights Committee, NGO Macao Conscience expressed worries that the government was abusing public health concerns to ban all forms of memorial events.

Macao has not effectively enforced **freedom of association and collective bargaining** as enshrined in International Labour Organisation (ILO) conventions. The EU continues to encourage Macao to do so, including through the planned legislation on trade unions.

Macao continues to make efforts to address **trafficking in human beings**. However, Macao was placed on the US Tier 2 watch list, with the State Department's annual report noting that Macao did not fully meet the minimum standards to eliminate trafficking and that local authorities had not demonstrated increasing efforts compared to the previous reporting period. The EU stands ready to intensify cooperation with Macao in this field.

Macao has not yet adopted comprehensive anti-discrimination legislation. **Discrimination on the grounds of sexual orientation and gender identity** continues to cause concern, notably in employment, education and healthcare.

Macao continued efforts to address **corruption**, including through the work of the Commission Against Corruption (CCAC). The CCAC annual report was released in May 2020, detailing the body's work to tackle corruption in the public and private sector. The Chief Executive pledged to improve people's awareness about clean elections and to ensure the election of the 7th Legislative Assembly (due to take place in 2021) could be conducted in a fair, just, open and corruption-free environment.

II. Economic Developments

The COVID-19 pandemic has had a dramatic impact on Macao's economy. While the government has successfully kept the pandemic under control in the SAR, the travel and health restrictions – in both Macao and China – meant that, for most of the year, only a very limited number of people visited the world's largest gaming hub.

As a result, Macao's GDP contracted by 48.1% in first quarter, 68% in the second quarter and 63.8% in the third quarter of 2020 year on year (y-o-y)¹. Tourist arrivals fell by 85% during the year and only 5.9 million visitors entered the SAR (in comparison to 39.4 million in 2019).

Traditionally, about 70% of the tourists visiting Macao are from mainland China, which means that an economic recovery in the SAR will largely depend on Chinese tourists returning. The issuance of individual visas for mainland Chinese to enter Macao was largely suspended in the first half of 2020. Issuances of visas resumed in stages from August and, by mid-September, they had resumed for the whole of China. While this allowed some

¹ These and following are the latest statistics available at the time of writing.

improvement in arrival numbers, figures in the latest part of the year remained well below what is traditionally seen in Macao and were insufficient to guarantee a solid recovery.

Despite the downturn, the labour market held up well and the unemployment rate rose only moderately to 2.9% in the September to November period (from 1.7% as at the end of 2019)². Inflation for the first eleven months was 0.1%.

On the fiscal front, Macao's government had to draw from its reserves to allow revenue to meet expenses in the 2020 fiscal year, due to the combination of a weak economy, a decrease in revenue (including gaming tax revenue) and an increase in public spending. Nonetheless, the SAR's fiscal position remains comfortable, with large fiscal reserves still available (MOP 607 billion – EUR 63 billion – as of the end of October).

For businesses in Macao, travel restrictions in and out of the SAR led to additional operational challenges. This is especially true for foreign companies and residents, as non-mainland Chinese foreigners have been largely denied entry or re-entry into Macao for most of the year.

Economic policy

Due to the exceptional circumstances, much of the focus in 2020 was on containing the pandemic and supporting the economy, leading to a series of urgent measures. The government disbursed a consumption subsidy scheme of MOP 8 000 (EUR 826) per resident, healthcare vouchers of MOP 600 (EUR 62), and a MOP 15 000 (EUR 1 550) allowance to eligible local employees and self-employed professionals. It also provided paid training and a deduction in the salary tax for employees. For businesses, the government temporarily eased the eligibility criteria for a SME aid scheme and launched a SME bank loan interest subsidy scheme³. It also exempted businesses from paying the tourism tax, cut the profit tax and waived various fees. A subsidy scheme was rolled out under the condition that companies would not lay off employees for a determined period. Altogether, the measures amounted to an estimated 12% of the SAR's 2019 GDP⁴.

The Chief Executive's **Policy Address** for the year 2021 was delivered on 16 November. Priorities included combating the epidemic – targeting both imported cases and any internal resurgence – and supporting the economic recovery. Given the structure of the economy, the recovery depends to a large degree on developments regarding the pandemic. In terms of economic development, the focus remains on consolidating the tourist and gaming industries while diversifying the economy and strengthening regional cooperation with the Mainland. Other priorities include urban development and public administration reform.

In terms of **economic diversification**, while progress has been made since the release of the Five-Year Development Plan (2016-2020), the gaming sector still accounts for about half of Macao's GDP (compared to 63% in 2012)⁵. The SAR's economy also continues to rely largely on visitors from the Mainland. The Policy Address therefore reiterated the goal of

² However, it is worth noting that Macao has a large number of 'non-resident' workers who do not have permanent residency in Macao (around 87 200 [before COVID](#)), and many of whom commute on a daily basis.

³ Interest subsidy of up to 4 percentage points per year and loan of up to MOP 2 million.

⁴ Source: IMF (<https://www.imf.org/en/Topics/imf-and-covid19/20Policy-Responses-to-COVID-19#M>).

⁵ Source: WTO (WTO's trade policy review of Macao, Report by the Secretariat, November 2020).

further encouraging ‘non-gaming’ tourism and developing the industrial sector, the convention and exhibition industry⁶, traditional Chinese medicine, the trading sector and the financial service industry. Providing support to Small and Medium Enterprises and encouraging innovation are also seen as key to achieving diversification.

With regard to **financial services**, a bond market is to be established in the SAR and financial institutions and insurers from the Mainland are encouraged to set up regional headquarters in Macao and expand their business in Portuguese-speaking countries.

The circular economy and climate policy remain substantial challenges. During the year, the government launched a new recycling programme for electronic and electrical devices and made the pledge to ban the import of Styrofoam utensils in 2021.

Regional cooperation

Integration with the Mainland under the **Guangdong-Hong Kong-Macao Greater Bay Area (GBA)** remains a key priority for Macao’s government. Within the GBA, Macao aims to consolidate its position as a world-class tourism and leisure centre and as a commerce, trade cooperation service and financial services platform, including between China and Portuguese-speaking countries.

An Amendment to the Agreement on Trade in Services under the Closer Economic Partnership Arrangement with the Mainland came into effect in June 2020 (having been signed in November 2019). It further liberalises access to the Mainland for Macao companies in sectors such as financial, legal, accounting, construction and engineering, cultural, tourism and distribution services.

Together with Zhuhai, Macao is co-developing the island of **Hengqin**, located west of Macao in Guangdong province. The island provides Macao with additional land that can be used to promote economic diversification and further integrate Macao within the GBA. It hosts the campus of the University of Macao and various facilities to develop youth entrepreneurship, traditional Chinese medicine and other industries. During the year, a proposal for a Guangdong-Macao Intensive Cooperation Zone in Hengqin was put forward and a task force was established. A new border checkpoint also became operational during the summer, allowing for more convenient crossing of the border between Hengqin and Macao. Macao and Zhuhai signed a contract granting Macao land to develop a residential project for Macao residents in Hengqin (the ‘Macao New Neighbourhood’ project), further integrating Macao with the Mainland.

III. EU-Macao Bilateral Relations

In 2020, the EU remained Macao’s second largest trading partner in goods after **mainland China**. The EU was Macao’s largest source of imports, accounting for 31% of Macao’s total imports⁷. On the other hand, only 1.6% of the SAR’s exports of goods went to

⁶ The number of events increased by 50% between 2012 and 2019 according to the WTO, before being strongly affected by the pandemic.

⁷ EU-27 figures.

Europe, and the EU continues to maintain long-standing trade surpluses with Macao. An explanation for this is that Macao's import demand has grown steadily over the years, in tandem with the growth of its gaming and tourism sectors, while its manufacturing sector has shrunk to roughly 1% of GDP.

Bilateral **trade in goods (for the first 11 months)** reduced by 37.3% to EUR 702 million in 2020. EU exports to Macao in that period reached EUR 650million, a 37.0% decrease y-o-y, resulting in a trade surplus of EUR 599 million. Macao remains a growing market for European luxury goods, and major EU exports included high-end leather goods, clothing, watches and jewellery, food and beverages, and automobiles.

The EU is Macao's third-largest foreign investor after Hong Kong and mainland China (excluding offshore centres). According to Macao statistics, the EU accounted for 5.2% of total FDI stock in 2019. Portugal alone accounts for 54% of EU investment in Macao. According to Eurostat, FDI stocks from the EU-27 in Macao reached EUR 342 million in 2019 and EUR 1.93 billion for Macao FDI in the EU.

Due to the pandemic, the **24th EU-Macao Joint Committee meeting**, which was due to take place in 2020, was not held. The meeting is expected to be held in the first half of 2021.

In December 2020, Macao underwent its **Trade Policy Review (TPR) at the WTO**. Macao was recognised as an open economy practising free trade, with all applicable tariffs kept at a rate of 0% and external trade (goods and services) equivalent to 117.1% of GDP in 2019. The EU, as a main trading partner of Macao, followed the TPR with attention and contributed a set of questions. The EU encourages Macao to join the WTO Government Procurement Agreement (GPA).

Despite the challenging year, the Macao European Chamber of Commerce (MECC) and the European Chamber of Commerce in Hong Kong (EuroCham HK) jointly coordinated European participation in the Macao International Trade and Investment Fair (MIF) in October.

The EU and Macao continued their longstanding cooperation in the field of interpreter training, despite the COVID-19 pandemic in 2020. Pedagogical assistance, delivered by trainers from the Directorate General for Interpretation of the European Commission to the Macao Polytechnic Institute, took the form of virtual classes and remote training as well as online seminars for course leaders.

The Government of Macao provided a final report in March 2020 on the **3rd Macao-EU Cooperation Programme in the Legal Field**, covering the period 2015-2019. The programme has contributed to the modernisation and development of Macao's legal system, and the EU and Macao are discussing the possibility of further collaboration in this field.