JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Macao Special Administrative Region:

Annual Report for 2021
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 this 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 2021, the implementation of the ‘one country, two systems’ principle enshrined in the Basic Law of Macao undermined the political rights and fundamental freedoms of the people of Macao. Meanwhile, it has become increasingly challenging for Macao’s media to express a broad range of views, and they are practising more self-censorship.

While the Basic Law and other legislative acts do not provide for the introduction of universal suffrage the EU has continued to encourage 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, in the first three quarters of 2021, Macao’s GDP rebounded by 27.5% year-on-year to MOP 177 billion (EUR 19.6 billion). Although this is positive, this growth did not make up for earlier losses, and GDP was still 46.4% lower than in 2019 – MOP 331 billion (EUR 36.5 billion).

The jobs market held up well, and the Macao SAR government rolled out COVID-19 support measures for the population and companies. However, economic recovery has largely depended on mainland Chinese tourists returning to Macao. In the longer term, economic diversification and regional integration have remained key strategies.

The ongoing COVID-19 travel restrictions have continued to prevent officials from the EU Office to Hong Kong and Macao from visiting Macao. This has hindered the Office’s work and limited contacts with SAR government officials and others.

I. Political and social developments

On 12 September, the election of the seventh Legislative Assembly of the Macao SAR took place. 14 lawmakers were directly elected, 12 lawmakers were indirectly elected. On 23 September, 7 additional lawmakers were appointed by Chief Executive Ho Iat-seng. Members of the Assembly took their oaths on 16 October. Three non-pro-establishment politicians

---

1 The Basic Law is the constitutional law of the Macao Special Administrative Region. No law, decree, administrative regulation or normative act of the SAR can contradict this Law. The drafting of the Basic Law aims to define the system to be applied in the SAR and enshrine the “one country, two systems” and “high degree of autonomy.
secured seats in the legislature: veteran politician José Pereira Coutinho, Che Sai-wang and Lam U-tou. Che and Lam were new faces in the assembly, together with five pro-establishment lawmakers.

The election turnout was 42%, meaning 137,281 people cast their vote. This was the lowest level on record since the handover in 1999. The average turnout in preceding elections since 1999 had been 56.56%. Tong Hio-fung, chairperson of the Legislative Assembly Electoral Affairs Commission, attributed the turnout to unstable weather and COVID-19 restrictions that prevented people stuck abroad from returning to vote. The election also had the highest ever number of blank votes (3,141) and the second-highest number of invalid votes (2,082).

**Before the election, for the first time, the authorities in Macao disqualified 21 candidates for not pledging allegiance to the SAR or supporting the Basic Law.**

On 9 July, Mr Tong announced the disqualification. This included all 15 candidates from pro-democracy groups (New Macao Progressive Association, Democratic Prosperous Macao Association and New Macao Progressives). On 12 July, Mr Tong explained that police evidence indicated that the disqualified candidates either failed to support Macao’s Basic Law or had been disloyal to the Macao SAR. He said that the Legislative Assembly Electoral Affairs Commission had seven criteria to assess candidates’ qualifications. These criteria ensure candidates “sincerely uphold” Macao’s Basic Law and bear allegiance to the Macao SAR, including supporting the leadership of the Communist Party of China.

Following an appeal of the decision to the Court of Final Appeal, the Court ruled in favour of the disqualifications on 31 July. The ruling stated the candidates concerned had attended a commemoration of Liu Xiaobo and a *Charter 08* exhibition and hence opposed the country’s constitutional system. The ruling also said the disqualified candidates had organised and attended a 4 June Tiananmen vigil. The candidates were thus sabotaging the ‘one country, two systems’ principle and not bearing allegiance to the Basic Law of Macao.

The EU issued a Spokesperson Statement calling the decision a detrimental step that ran counter to the rights guaranteed in Macao’s Basic Law. The decision also undermined political pluralism and curtailed democratic debate. The EU called for protected rights and freedoms to be upheld in the Macao SAR and for the Legislative Assembly elections to be open to candidates from across the political spectrum.

**National security remained a political priority.** The national security law first entered into force in 2009, but no one has been charged under it so far. The government announced that it would launch a public consultation on amending the law in the first quarter of 2022 and complete it by the last quarter of the same year.

---


3Liu Xiaobo was the 2010 Nobel Peace Prize laureate and one of the most prominent human rights activists in China. He was one of the authors of the *Charter 08* manifesto, calling for peaceful democratic reform and rule of law in China.

As part of its drive to safeguard national security, the government also revealed its timeline for a new law to set up a secrecy regime. This law will ensure appropriate protection of government confidential information in the Macao SAR. The government aimed to complete the process by the last quarter of 2022.

Chief Executive Ho announced that the government’s national security departments became fully operational in 2021. The judiciary police has intensified its work to safeguard national security and internet security, and prevent terrorism. The police has also stepped up efforts to prevent external elements from infiltrating and interfering in mainland China and the Macao SAR.

The government also amended the law on the use and protection of the national flag, emblem and anthem to reflect the latest changes to the law of the People's Republic of China on the national flag and the law of the People's Republic of China on the national emblem.5

Lastly, to improve security and help law enforcement, the government said it would deploy more surveillance cameras. By 2028, officials plan to have put in place 4 200 additional cameras.

Some legislative steps were taken on important social issues, such as the Union Law. This came after years of repeated rejection of similar measures proposed by pro-democracy lawmakers. The government originally planned a public consultation on the law in the first quarter of 2021, but in the end they launched it on 31 October for 45 days. The draft text covered two major areas: the trade union registration system and collective bargaining power. The government aimed to complete the legislative process by the last quarter of 2022, once both consultations and the ‘sufficient collection’ of opinions from various sectors have been completed.

The Macao SAR government continued to take measures to control the spread of COVID-19, including citywide compulsory testing organised on two occasions. As of 30 December 2021, 429 839 people had received two vaccine doses and 31 770 have received three. Overall, COVID-19 resulted in 79 confirmed cases and no deaths. The government has worked to ensure quarantine-free travel with mainland China. On 12 August, the two sides resumed quarantine-free travel for the first time since restrictions began. By contrast, travellers from Hong Kong to Macao needed a negative test result and had to quarantine for 14 days.

These strict entry rules prevented the EU Office from visiting the SAR, organising activities on the ground, and monitoring political and social developments. Under the rules, only visitors from mainland China, Hong Kong and Taiwan could enter Macao. Those who had visited Hong Kong 14 days before arrival had to quarantine for 14 days.

Rights, freedom and equal opportunities

Rights, fundamental freedoms and the rule of law as guaranteed in the Basic Law of Macao faced challenges in 2021. There was still no move to establish an independent human rights

body in response to the recommendation issued by the UN Committee against Torture in December 2015.

**Press freedom** faced increasing difficulties, with the media practising more self-censorship. The Macau Portuguese and English Press Association released a statement on 13 March voicing concern about new editorial guidelines for the Portuguese and English newsrooms at the public broadcaster Teledifusão de Macau (TDM).

The press association (AIPIM) was particularly concerned by the guideline that TDM staff could not ‘relay information or opinions contrary to the policies of the Central Government’ of the People’s Republic of China and had to support measures adopted by the Macao SAR. In the end, the TDM’s Executive Committee held a two-hour meeting with six editorial members of the news department. TDM said that its editorial policy remained unchanged and ‘encouraged’ staff to abide by the principle of ‘loving the country and loving Macao’.

Afterwards, comments and information related to the 4 June commemoration were reportedly censored in two current affairs programmes.

On 14 October, the Macao Journalists Association (AJM) announced that government departments had tightened press coverage restrictions of major government events to prevent the spread of COVID-19. Participants now had to be vaccinated at least once and have a negative nucleic acid test result 48 hours before the respective events. The journalists’ association urged the authorities to reconsider these media arrangements and to balance public health and journalists’ right to report.

**On freedom of assembly**, the Court of Final Appeal on 3 June 2021 rejected an appeal against a police ban of the annual candlelight vigil commemorating the Tiananmen crackdown. In addition to citing concerns about the spread of COVID-19, the Court said that the organiser, the Democratic Development Union, invoked the right of assembly to ‘stage a planned and deliberate attack’ against the central government.

All three judges on the judicial panel reasoned that the proposed assembly could seriously damage the honour, dignity and respect of the Central Government of the People’s Republic of China. A Macao delegate to China’s National People’s Congress also said that it would be inappropriate to hold such remembrance events in the future.

Macao has not yet effectively enforced **freedom of association and collective bargaining** as laid down in International Labour Organisation conventions. For example, the 2008 Labour Relations Law contained some rules prohibiting anti-union discrimination and provided sanctions for such acts. However, it did not include a chapter on the right to organise and the right to collective bargaining. The penalties for anti-union discrimination have not been dissuasive enough, particularly for large companies. Regarding the long-standing proposal for legislation on trade unions, labour activists have pointed out that the consultation text did not cover the right to strike – a right enshrined in the Basic Law – as a follow-up to a failed collective bargaining process, potentially weakening the impact of the negotiation.

---

6 ‘澳廣視執委會晤葡文新聞部重申編採方針不變’ (The TDM Executive Committee meets with the Portuguese Press Department to reiterate that the editorial policy remains unchanged) 15 March 2021. [https://www.tdm.com.mo/zh-hant/news-detail/558430](https://www.tdm.com.mo/zh-hant/news-detail/558430)

7 [https://www.court.gov.mo/sentence/pt-0b9b84acaff12a34.pdf](https://www.court.gov.mo/sentence/pt-0b9b84acaff12a34.pdf)

Macao continues its efforts to address human trafficking. These include training police, customs, and social welfare officials; increasing anti-trafficking funding; holding employment rights seminars for migrant workers vulnerable to exploitation; and making laws to deter employment agencies’ practices that contribute to coerced debt. However, additional efforts are still needed to eliminate this problem.

Macao did not adopt any comprehensive anti-discrimination legislation or established an independent human rights institution in 2021. Discrimination on the grounds of sexual orientation and gender identity continued to cause concern, notably in employment, education and healthcare. For example, the Macao authorities refrained again from protecting same-sex cohabitants under the Domestic Violence Legal Framework. The government cited ‘the lack of consensus in the society on the recognition of same-sex marriage and the incompatibility with the current legal system of the Macao SAR.’

Meanwhile, to control the spread of COVID-19, Nepalese and Vietnamese non-resident workers were targeted and had to undergo frequent nucleic acid tests. This measure triggered concerns of racial discrimination.

Macao continued its efforts to fight corruption. In May 2021, the Commission Against Corruption (CCAC) published its 2020 annual report describing its work to tackle corruption in the public and private sectors. The CCAC received 479 complaints and reports over the year 2020. It referred 105 cases to the Anti-Corruption Bureau for follow-up and 282 cases to the Ombudsman Bureau to carry out inquiries. One of the Ombudsman Bureau’s cases was then investigated in detail.

II. Economic developments

In the first three quarters of 2021, Macao’s GDP rebounded by 27.5% year-on-year to MOP 177 billion (EUR 19.6 billion). However, this was still 46.4% lower than in 2019, which was MOP 331 billion (EUR 36.5 billion). This shows that Macao’s economy is still heavily affected by the COVID-19 pandemic.

In October, the IMF cut its growth forecast for 2021 to 20.4%, down from 61.2% in April 2021. In 2020, Macao’s GDP contracted by 54% (after only contracting by 2.5% in 2019) – this was due to the lack of tourism revenue in what is the world’s largest gaming hub.

Macao’s economic challenges were caused by a drop in tourists due to travel restrictions both in Macao and in mainland China. China is Macao’s main tourist market, making up 70% of its visitors before the pandemic. Despite a 32.2% recovery year-on-year, only 6.1 million

---

12 Converted to euro using the December 2021 InforEuro exchange rate.
visitors entered the SAR in the first 10 months of 2021, which is less than 20% of the number of visitors for the same period in 2019 (33.4 million).

Exports of gaming services\(^\text{14}\) usually account for about half of Macao’s GDP. However, due to the low tourist numbers, these exports only came to MOP 53.8 billion (EUR 5.9 billion) in the first three quarters of 2021 – a third of their value for the same period in 2019 (MOP 179 billion / EUR 19.7 billion). The very low base in 2020 (MOP 30 billion / EUR 3.3 billion) meant that even the 79.4% growth year-on-year in gaming services in the first three quarters of 2021 was still far from pre-pandemic levels. The average hotel occupancy rate was 50% (in the first nine months of 2021), compared to 22% in 2020 and 91% in 2019 (for the same period).

**The labour market held up well**, with a 2.9% unemployment rate (over 11 000 people) in September 2021, compared to 1.7% before the pandemic. Unemployment among young people (under 25 years) was 11.2% in September 2021.

**Macao experienced deflation in 2021** and the average composite consumer price index decreased by 0.19% year-on-year in the first 10 months.

The reduced level of economic activity and fiscal support measures rolled out by the government resulted in **lower fiscal revenue**, including from gaming tax. The government had to draw from the SAR’s fiscal reserves to finance spending. Nonetheless, reserves remained high (MOP 657 billion / EUR 72.5 billion as of June 2021), and they are enough to cover an estimated 6 years of government expenditure at 2021 budget levels.

**Travel restrictions** with the rest of the world in 2021 presented significant operational challenges for companies. Most foreigners were banned from entering the country, while Macao residents arriving from outside mainland China had to quarantine for long periods.

In 2020, the stock of foreign investments in Macao was MOP 300 billion (EUR 33 billion), compared to MOP 351 billion (EUR 39 billion) in 2019, with 28% originating in Hong Kong and 20% in mainland China.

**Economic policy**

On 16 November 2021, the **Chief Executive delivered the policy address for 2022**. Economic strategies included containing the pandemic, supporting the recovery, pursuing economic diversification, and boosting innovation and technology. Strengthening integration with the mainland was also a key focus. The government planned to pursue administrative reforms and improve urban development by carrying out transport and other infrastructure projects, including an extension of the airport.

**Fighting the pandemic and supporting the economy remained the government’s key priorities** in 2021. The government completed several rounds of mass community-wide testing, while keeping tight border controls and encouraging vaccination (about 52% of the population had been vaccinated by the end of October).

The government introduced several economic measures, including tax reductions and various fee waivers for people and companies, rental concessions, and a subsidised training scheme.

---

\(^{14}\) Exports of gaming services are measured as the expenditure of non-residents on gaming.
Residents benefited from the wealth partaking scheme (MOP 10,000 / EUR 1,100 for permanent residents and MOP 6,000 / EUR 660 for non-permanent residents). An electronic consumption plan to support Macao’s digital ambitions also brought benefits. Residents received MOP 8,000 / EUR 880 to spend using mobile payment platforms or electronic vouchers. The government announced that the plan had injected MOP 4.6 billion (EUR 508 million) into Macao’s consumer market (as of end October 2021). Initiatives were also launched to support the tourist industry (for instance, the ‘Stay, Dine and See Macao’ and ‘Macao week’ events held in mainland Chinese cities).

The government announced that it would speed up infrastructure construction. Projects include the fourth Macao-Taipa cross-harbour route linking north and south Macao, expansions to the Light Rapid Transit system and Macao International Airport, a new healthcare complex, and housing projects. The government also announced that Macao’s new Urban Master Plan (2020-2040) should be launched in 2022.

In the second half of 2021, the government carried out a public consultation on Macao’s Gaming Law to reform the gaming concession and sub-concession system. The proposal included stricter rules for e-gaming concessionaires and other operators. These rules could include appointing government delegates to casino operations, restricting dividends to shareholders, and strengthening penalties for violations. Increased supervision could reduce control of the industry by foreign shareholders. The share prices of listed gambling operators in Macao dropped when the consultation was announced in September. The review was launched as Macao’s three gaming concessions and three sub-concessions are set to end in June 2022, but they can still be extended by the government – especially if revising the Gaming Law is not completed by then.

The strategy towards economic diversification aimed at further developing industries such as non-gaming tourism, conventions and exhibitions, health (including traditional Chinese medicine), financial services, and science and technology. The strategy will also support small and medium-sized businesses. Despite some progress in past years, the gaming sector still accounted for about half of Macao’s GDP (pre-COVID), and other industries rely heavily on spending by mainland China.

On financial services, the authorities aimed to develop a local bond market (including green bonds), wealth management and financial leasing activities, investment banking, and cross-border renminbi settlements. To achieve this, the government announced that work would be carried out to reformulate the local financial system’s legal framework and develop Macao’s financial market infrastructure. This would include reforming the laws on issuing and trading bonds and wealth management activities, establishing a central securities custody system, introducing investment bank licences, and promoting digital currencies (possibly with a centralised digital yuan to be used in Macao).

The policy address outlined measures for the circular economy and climate change, including reducing road and carbon emissions by phasing out polluting vehicles, promoting electric vehicles, and setting up more charging facilities in public car parks. Imports of non-degradable disposable plastic straws and drink stirrers would be prohibited, and action would be taken to address coastal sewage and pollution. Macao also announced a plan to build an organic waste recycling centre with construction due to start in 2022.
Regional cooperation

Integration with mainland China, as part of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), remained a key priority for Macao’s government. Within the GBA, Macao aimed to consolidate its position as a centre for tourism and leisure and a platform for business and financial services, notably between China and Portuguese-speaking countries.

In May 2021, Macao set up the Working Committee for Integrating into National Development to coordinate the SAR’s strategy to participate in the GBA and Belt and Road initiative. A new Guangdong-Macao border checkpoint – the Qingmao checkpoint – started operations in September 2021 to increase capacity for cross-border travel between Macao and Guangdong province.

The Greater Bay Area Wealth Management Connect was launched in the second half of 2021. It allows Hong Kong and Macao residents and Guangdong eligible residents to carry out cross-border investments in wealth management products sold by banks in the GBA. The Connect project is a concrete step towards integrating financial flows within the GBA. It started with a relatively small aggregated quota of RMB 150 billion (in each direction and shared by Hong Kong and Macao).

Another area of cooperation with the mainland is the planned upgrade of the Guangdong-Macao Intensive Cooperation Zone in Hengqin. Located west of Macao in Guangdong province, the Hengqin cooperation zone is being developed jointly by Guangdong (including Zhuhai) and Macao. In September, a master plan was announced by the Chinese Central Government to boost the zone’s development. The aim was to promote the diversification and long-term development of Macao, while increasing integration with the GBA and mainland China’s national development. Targeted industries reflected those in the SAR’s diversification strategy. They include innovative and high-end manufacturing industries, financial services, traditional Chinese medicine, convention and exhibition services, trade and digital trade, and medical tourism.

A residential project for Macao residents – the Macao New Neighbourhood – was under construction in Hengqin. Cross-border connectivity should be improved – the number of Macao vehicles allowed to enter Hengqin was increased to 10 000 and the construction of the Light Rapid Transit Hengqin Line was started in 2021.

III. EU-Macao bilateral relations

The 24th EU-Macao Joint Committee meeting did not take place in 2020. Despite EU requests to hold the 2021 meeting online, it did not go ahead. Travel restrictions and restricted access to the Macao SAR undermined the EU’s capacity to cooperate with local authorities and to reach out to the business and diplomatic community and civil society.

The EU remained Macao’s second-largest trading partner in goods after mainland China. This accounted for 29% of the SAR’s total trade in the first 10 months of 2021. EU-Macao

16 The Hengqin cooperation zone is located at the southern edge of the Chinese city of Zhuhai. Only a strip of water separates the zone from Macao, and a bridge links the two together.
17 Details on the development of Guangdong-Macao Intensive Cooperation Zone in Hengqin are available at https://www.hengqin-cooperation.gov.mo/zh-hans/
bilateral trade is dominated by EU exports – around 32% of Macao’s imports originated in the EU. The EU has long-standing trade surpluses with Macao. This can be explained by the growth of the gaming and tourism sectors fuelling Macao’s imports, while the SAR’s manufacturing sector accounted for a small share of the local economy.

Based on Eurostat data, EU bilateral trade in goods with Macao more than doubled during the first 9 months of 2021 to EUR 944 million (a 114% increase year-on-year). EU exports to Macao amounted to EUR 914 million, resulting in a trade surplus of EUR 885 million. EU exports to Macao were mostly luxury goods, leather articles, clothing and apparel, and watches and jewellery.

The EU remained Macao’s fourth-largest source of foreign investment in 2020 (excluding offshore centres) after Hong Kong, mainland China and the US. According to Macao statistics, the EU accounted for 4.6% of the total foreign direct investment (FDI) stock in 2020. Portugal alone accounted for 70% of EU investment in the SAR. According to Eurostat, stocks of EU FDI into Macao dropped by over 25% in 2020 and reached EUR 1.42 billion as of the end of 2020\(^{18}\), while Macao FDI stocks in the EU amounted to EUR 1.85 billion.

Due to the continuous travel restrictions caused by the pandemic, attending Macao trade fairs was not possible. However, members of the Macao European Chamber of Commerce and the European Chamber of Commerce in Hong Kong who were in Macao were able to attend the Macao International Trade and Investment Fair in December 2021.