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JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Macao Special Administrative Region

Annual Report for 2023

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MACAO SPECIAL ADMINISTRATIVE REGION:

ANNUAL REPORT FOR 2023

Summary

Since the handover of Macao to the People's Republic of China in 1999, the European Union (EU) 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, in accordance with the Basic Law, intended to ensure that the way of life, rule of law and protection of fundamental rights and freedoms in Macao remain unchanged until 2049.

This annual report, which covers the year 2023, is issued in line with the commitment made to the European Parliament in 1999.

The erosion of Macao's high degree of autonomy and of the rights and freedoms that were meant to be protected until at least 2049 continued in 2023.

In 2023, Macao adopted several new laws implementing the political doctrine of 'patriots ruling Macao', including an amendment to the National Security Law of 2009 and an update of the Electoral Law for the Chief Executive. The 'Amendment to the Electoral Law for the Legislative Assembly of the Macao Special Administrative Region' passed the first reading in the Legislative Assembly on 4 December. The new laws further curtail pluralism in both politics and wider society.

The Macao economy **returned to growth** after a strong contraction in 2022. In the first three quarters of 2023, GDP increased by 77.8% year-on-year. This was supported by tourists returning after the lifting of strict COVID-19 restrictions in Macao and mainland China. However, Macao's economy has **yet to recover to pre-pandemic levels**. GDP is down 22.6% from 2019 levels, the number of visitors down 28% and gaming revenues down 37.4%. Macao has relatively low unemployment (2.7%) and inflation (0.9%).

The EU remained Macao's largest trading partner in goods (2023) and its fourth-largest source of foreign investment (2022).

The EU Office to Hong Kong and Macao resumed contacts with Macao as soon as the authorities lifted travel restrictions between Hong Kong and Macao in early February. The EU Office organised an event on trade and sustainability together with the European Chamber of Commerce, attended by Macao's Secretary for Economy and Finance.

I. Political and social developments

In 2023, the Macao Legislative Assembly passed several bills proposed by the government with the stated goal of implementing the doctrine of 'patriots ruling Macao', further curtailing pluralism.

On 18 May, the Macao Legislative Assembly passed the second and final reading of the ‘**Amendment to Law No 2/2009 – Law on the Safeguarding of National Security**’ (National Security Law). The law entered into force on 30 May. As of 31 December 2023, it had not yet been applied.

The amendment was introduced after the imposition of a National Security Law on Hong Kong by the central government in 2020. As in the case of Hong Kong, the amendment has extended the scope of the Macao National Security Law.

The legal definition of ‘secession’ in the updated law, for example, extends to ‘non-violent’ actions. Previously, only ‘violent and other serious illegal actions’ were covered. The scope of the ‘subversion’ charge has also been extended to include the state regime, i.e. the socialist system under the leadership of the Communist Party of China, not just the Central People’s Government. Instead of only regulating the activities of ‘foreign political entities’ endangering national security, the law now covers activities by ‘entities outside Macao’. The law also now applies outside the territory of Macao. The maximum prison sentence remains 25 years. Unlike in Hong Kong, the central government had not set up a National Security Office in Macao by the end of 2023.

On 23 March, the Macao Journalists Association submitted a commentary on the draft bill to the legislature. In it, the association stated that the proposed bill ‘may significantly impact Macao’s freedom of press and expression and the public’s right to know’ as some legal definitions contained ‘ambiguity’.

On 14 December, the Legislative Assembly passed the second reading of the ‘**Law on the Protection of State Secrets**’ as an extension of the amendment to the National Security Law. The new law gives the Chief Executive the authority to determine if a matter constitutes ‘state secrets’ and the length of time for which it should remain confidential. It also lists eight matters that should be considered state secrets if their disclosure could undermine national security and interests, including ‘secret items in a major decision’ of the Macao Government and secret items pertaining to action taken by the Macao Government to safeguard national security and investigate criminal offences. The law will take effect on 1 June 2024.

Also on 14 December, the Legislative Assembly passed the second reading of the ‘**Amendment to Law No 3/2004 – Electoral Law for the Chief Executive**’. The law came into force on 1 January 2024. Earlier, on 4 December, the Legislative Assembly passed the first reading of the ‘**Amendment to the Electoral Law for the Legislative Assembly of the Macao Special Administrative Region**’. In the consultation document for the two bills, the government justified the legal updates by citing the need to further the implementation of the principle of ‘patriots ruling Macao’ and ‘new requirements and new challenges in the area of safeguarding national security’.

The amended electoral laws introduced vetting mechanisms into the elections of the Chief Executive, the Chief Executive Election Committee and the Legislative Assembly. Macao’s National Security Committee will now issue ‘legally binding opinions’ to the Electoral Affairs Commission to determine if candidates standing in these three elections uphold the Basic Law and pledge allegiance to the Macao Special Administrative Region (SAR). The decision is not subject to judicial appeal.

Macao already has a National Security Committee, set up in 2018 under the National Security Law. Chief Executive Ho Iat Seng serves as its chair, with Zheng Xincong, Director of Beijing's Liaison Office in Macao, as the National Security Affairs Adviser and two other members of the Liaison Office as National Security Technical Advisers. The new arrangement gives Beijing officials a say in Macao's local elections.

The law adopted to amend the electoral system for the Chief Executive and the proposed bill on the Legislative Assembly electoral system set out seven criteria for the National Security Committee to consider when examining a candidate's eligibility to stand for election.

A candidate found not to be upholding the Macao Basic Law or not pledging allegiance to the Macao SAR of the People's Republic of China is banned from standing for election for 5 years. Inciting others not to vote, casting blank votes and spoiling one's vote have become offences under this amendment, subject to a maximum punishment of 3 years in prison.

During the legislative process for these amendments, the government organised a 45-day consultation between 15 June and 29 July. It organised eight consultation sessions, including two that were open to the public. It received a total of 571 submissions, including 6 112 suggested courses of action, 2 439 of which were related to the Electoral Law for the Chief Executive and 3 673 to the Electoral Law for the Legislative Assembly. The submissions were overwhelmingly in favour of the amendments, according to the consultation report.

On 14 November, the Chief Executive announced in his annual policy address that the government would table a law regulating the swearing-in of public officials in 2024, the '**Amendment to Law No. 4/1999 – Law on oaths upon taking office**', citing the need to further implement the political doctrine of 'patriots ruling Macao'.

The Chief Executive visited Portugal, Luxembourg and Belgium between 18 April and 27 April 2023.

Meanwhile, the Portuguese community in Macao in the past year faced difficulties in obtaining residency permits. On 1 October, the Chief Executive stated that Macao and Lisbon held different views on whether Portuguese citizens could receive Macao resident identity cards immediately upon arrival and whether they could obtain permanent residency after 7 years.

Although Portuguese is an official language of Macao, in March lawmaker Che Sai Wang publicly deplored the fact that the executive, legislative and judicial bodies were characterised by constant limitations on its use.

In June, the Secretary for Social Affairs and Culture presented a plan launching a four-year Portuguese language course for students studying in forms 3 (students age 14-15) and 4 (students age 15-16) who plan to do an undergraduate degree in Portugal, to prepare them for further Portuguese language studies.

On 14 December, the US Congress passed the 2024 National Defense Authorization Act listing the People's Republic of China, including Macao, as a 'foreign adversary', on a par with Cuba, Iran, North Korea, Russia and Venezuela.

Impact of the COVID-19 pandemic

On 6 February, all COVID-19 travel restrictions between mainland China, Macao and Hong Kong ended. On 27 March, the mobile application ‘Macao Health Code’ became obsolete. On 28 April, the authorities dropped the remaining requirement to wear masks on public transport.

Rights, freedoms and equal opportunities

On 15 and 16 February, the United Nations Committee on Economic, Social and Cultural Rights considered the third periodic report of Macao on the implementation of the International Covenant on Economic, Social and Cultural Rights. Subsequently, on 22 March, the Committee published its concluding observations¹.

The Committee urged Macao to ‘establish an independent national human rights institution with a broad mandate in line with the principles relating to the status of national institutions for the promotion and protection of human rights’. The Committee also urged Macao to amend the domestic violence law with a view to including same-sex couples in it. It also urged Macao to extend minimum wage protection to domestic helpers and pass legislation to regulate the right to form and join trade unions and the right to strike.

On 12 May, the United Nations Committee on the Elimination of Discrimination against Women reviewed the third periodic report of Macao on the implementation of the Convention on the Elimination of All Forms of Discrimination against Women. On 31 May, the Committee published its concluding observations².

The Committee urged Macao to improve the collection of evidence for suspected domestic violence cases and the provision of shelter for women who are victims of domestic violence. It recommended that Macao ensure the effective investigation and prosecution of acts of gender-based violence against women, and ensure that the perpetrators are adequately punished. It also recommended that Macao collect data on the use of protection and assistance measures provided by the Social Welfare Bureau and the penalties handed down by judges.

On **labour rights**, the Legislative Assembly passed the first reading of the Trade Union Law on 16 January. No lawmaker voted against it, but several members of the Legislative Assembly criticised the draft bill for ‘having significantly reduced labour rights and guarantees’ and considered it ‘half-hearted’. The Second Standing Committee of the Legislative Assembly has since been reviewing it. On 27 June 2023, Committee chair Chan Chak Mo announced that it would be sent to the plenary for further review by 15 August 2023. As of 31 December 2023, there had been no further update on the draft bill.

The revision of the minimum wage law was approved, increasing the minimum wage from MOP 32 (EUR 3.73) per hour to MOP 34 (EUR 3.97) per hour.

Freedom of assembly continued to suffer. On 3 May, the Secretary for Security said that equating the existence of a 1 May protest with a free Macao was ‘illogical’, pointing out that the existence of political protests bore no relationship to Macao’s vitality. On 5 May, the chair of the Bar Bending Industry Workers Union disclosed that he had had to withdraw an

¹ <https://digitallibrary.un.org/record/4007077>

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https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CEDAW%2FC%2FCHN%2FCO%2F9&Lang=en

application to organise a protest on 1 May, International Workers' Day, under pressure. The unionist said that plain-clothed police officers had followed him for days while others had urged him to act in the public interest.

Au Kam San, one of the leaders of the disbanded Macao Democratic Development Union, which used to organise the annual 4 June Tiananmen vigil, told media that the public commemorations would not return. As the government prepared for the amendment to the National Security Law in 2022, the Union started to disband, highlighting the fragility of freedom of association in Macao.

Freedom of the press remained under strain. On 1 September, the Macao Journalists Association said that the police had simplified the information released about accidents, making it difficult for journalists to judge their importance and newsworthiness.

There have been attempts by members of civil society to raise awareness of the rights of LGBTI+ people in the past year. The first Macao International Queer Film Festival took place between 3 and 12 February.

On 15 June, the US State Department released its annual Trafficking in Persons Report. Macao remained at tier 3. Its authorities refuted the report, saying it was 'once again based on unreal information and data,' and made a 'capricious judgment' about their efforts to prevent and combat human trafficking.

II. Economic developments

The **GDP of Macao increased** by 77.8% year-on-year³ in the first three quarters of 2023, to MOP 253 billion (EUR 28.7 billion)⁴. This was 22.6% lower than the same period in 2019, showing that Macao's economy has yet to return to what it was before the COVID-19 pandemic. In 2022, its GDP contracted by 26.8%.

In October, the International Monetary Fund forecast that Macao's economy would grow by 27.2% for the full year 2023⁵. This was the highest forecast growth by the International Monetary Fund in high-income countries in Asia, explained by the strong contraction in previous years.

The growth in 2023 was supported by the end of the strict COVID-19 restrictions in Macao and mainland China and the resulting return of tourists. A total of 28.3 million people visited Macao during the year (67.5% of them from mainland China). This is an increase from 5.7 million in 2022, but still 28% below 2019 levels, when 39.4 million people visited Macao. The average hotel occupancy rate was 81.2% in 2023, up from 38.5% in 2022 but still below the 90.1% it was in 2019.

Gaming and related industries were the largest contributors to Macao's economy, due in large part to tourists. In 2023, gaming revenues increased to MOP 183.7 billion (EUR 20.8

³ Source: Statistics and Census Service, Government of Macao Special Administrative Region (SAR).
<https://www.dsec.gov.mo/en-US/Statistic?id=901>

⁴ Exchange rate of December 2023
https://commission.europa.eu/funding-tenders/procedures-guidelines-tenders/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en

⁵ World Economic Outlook by the International Monetary Fund:
<https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

billion), up from MOP 42.8 billion in 2022, but 37.4% less than the MOP 293.3 billion (EUR 33.2 billion) they generated in 2019.

The unemployment rate was 2.7% in 2023, compared to 3.7% in 2022 and 1.7% before the pandemic.

Inflation remained low, with an average composite consumer price index increase of 0.9%.

Thanks to the economic recovery, Macao's fiscal situation improved considerably. In the first 11 months of 2023, the government recorded a fiscal surplus of MOP 22.1 billion (EUR 2.5 billion), having recorded a deficit of MOP 21.0 billion (EUR 2.4 billion) in the same period in 2022. Fiscal reserves amounted to MOP 573.5 billion (EUR 65 billion) at the end of November, a 2.6% year-on-year increase but 2.8% lower than before the pandemic. Reserves are sufficient to cover 6 years of government expenditure.

In 2022, foreign direct investment (FDI) in Macao reached MOP 367 billion (EUR 41.6 billion), a 5.8% year-on-year increase. Hong Kong and mainland China were the largest sources of FDI, with 42.4% and 37.4% of the total respectively (excluding investments from offshore centres).

Economic policy

On the economic front, the Chief Executive's **annual policy address** in November focused on economic recovery and continuing economic diversification and integration into the Greater Bay Area (GBA). Residents continue to benefit from the Wealth Partaking Scheme introduced in 2008, with MOP 10 000 (EUR 1 133) for Macao permanent residents and MOP 6 000 (EUR 680) for non-permanent residents. To support childbirth, a MOP 5 418 (EUR 614) birth allowance will be distributed to parents. The government is also developing new infrastructure, including a transport connection with Hengqin, an additional Macao-Taipa cross-harbour bridge, and public housing, and it is expanding Macao International Airport.

Macao's **economic diversification strategy** aims to develop industries such as non-gaming tourism, conventions and exhibitions (meetings, incentives, conferences and exhibitions (MICE)), healthcare (including traditional Chinese medicine), financial services, science and technology, trade, culture and sports. In November, the government released the Development Plan for Appropriate Economic Diversification (2024-2028), outlining policies and initiatives to bring the contribution of non-gaming industries to 60% of GDP by 2028. Following a reform of Macao's gaming establishments last year, gaming establishment owners had to commit to making non-gaming investments in line with the diversification strategy. In his policy address, the Chief Executive announced that the government would ensure that gaming establishment owners implemented their investment plans. According to the industry, an obstacle to economic diversification is the lack of a diversified talent pool in Macao. His address also proposed initiatives to address this, including measures to attract international talent.

Regarding **financial services**, the authorities aim to develop a local bond market (including green bonds and bond listings by mainland institutions and companies), wealth management and financial leasing activities, investment banking, and cross-border renminbi settlement schemes. In 2023, the financial system legal framework was amended to spur the industry's growth. As of September 2023, the value of outstanding bonds issued or listed in Macao reached MOP 447 billion (EUR 50.6 billion). According to the Chief Executive's policy

address, Macao will prioritise the development of the bond market, continue to amend regulations (including through a new Securities Law), promote fintech and consider bringing in tax incentives for asset management companies.

In terms of **environmental policies**, an electric vehicle promotion scheme was launched, the import of non-degradable disposal plastic cutlery was prohibited, and an incineration centre and a food waste treatment centre are being built.

Economic integration with mainland China

With regard to mainland China, Macao is positioning itself as a centre for tourism and leisure (including multi-destination tourism in the GBA) and developing as a hub for business and financial services, notably between mainland China and Portuguese-speaking countries.

The **Guangdong-Macao Intensive Cooperation Zone** in Hengqin comprises about 100 square kilometres in Guangdong province in mainland China, jointly administered by Guangdong and Macao⁶. It aims to enable Macao's economic diversification and further its economic and legal integration into mainland China and the GBA.

In 2023, policies were formulated to further facilitate integration. These include allowing clearance and the launching of a legal services cluster (nine public legal service institutions providing legal services for businesses and residents). A residential project was completed ('Macao New Neighbourhood') with 4 000 residential units, commercial spaces and facilities. In his policy address, Macao's Chief Executive proposed to bring the regulations and policies of Macao and Hengqin more closely into line with each other. This included measures to facilitate the flow of people, goods and capital, the joint organisation of conventions and exhibitions, and cooperation on traditional Chinese medicinal technology.

III. Relations between Macao and mainland China

The Chinese Government underwent a leadership reshuffle in the annual plenary sessions of the National People's Congress and the Chinese People's Political Consultative Conference, or the Two Sessions, in March 2023. This resulted in a series of changes of staff dealing with Macao.

Ding Xuexiang, a member of the Politburo Standing Committee of the Communist Party, became the Vice Premier and the head of the Central Leading Group on Hong Kong and Macao Affairs. Former Chief Executive Edmund Ho kept his seat as vice-chair of the Chinese People's Political Consultative Conference.

On 11 March, Kou Hoi In, the chair of the Legislative Assembly, succeeded Ho Iat Seng as Macao's sole representative on the Standing Committee of the National People's Congress. Ho had resigned in 2019 to run for the position of Chief Executive.

On 6 April, Yu Changjiang, commander of the Sansha military garrison in Hainan Province, was appointed commander of the Chinese People's Liberation Army Garrison in Macao.

⁶ The Guangdong-Macao Intensive Cooperation Zone is on the southern edge of the mainland Chinese city of Zhuhai. Only a small strip of water separates the zone from Macao, and a bridge links the two.

Alongside these changes, on 16 March Beijing announced its plan to elevate the Hong Kong and Macao Affairs Office under the State Council to the Hong Kong and Macao Work Office of the Communist Party of China's Central Committee. On 27 October, the website of the new Office listed its 11 main responsibilities, including consolidating the coordination of Macao and Hong Kong affairs, supervising the implementation of research into and the investigation of important matters, making the Chief Executives more accountable to the central government, and strengthening the constitution and national security.

Between 23 May and 26 May, Xia Baolong, the Director of the Hong Kong and Macao Affairs Work Office, visited Macao. During the four-day visit, Xia attended over 30 meetings and events. The audience included government officials, members of the judiciary and the legislature, patriotic figures, local members of the National People's Congress and the Chinese People's Political Consultative Conference, and representatives from the legal, financial and education sectors. Xia also visited universities, research and development bases and medical facilities.

In February, the Secretary for Security said that there was a need to reach an agreement with the mainland on judicial cooperation that would include the possibility of extraditing people accused of having committed a crime.

On 1 March, the new Guangdong-Macao Intensive Cooperation Zone regulations took effect. According to the Standing Committee of the Guangdong Provincial People's Congress, the regulations cover eight chapters and focus on six aspects: administration; planning, construction and management; industrial development; helping Macao residents living and working in the zone; promoting the integration of Hengqin and Macao; and legal protection.

IV. Macao bilateral relations and cooperation in 2023

The 1992 Agreement for Trade and Cooperation between the European Economic Community and Macao aimed to further strengthen the relationship between the EU and Macao. The agreement covers trading, economic, scientific and technological cooperation.

The EU-Macao Joint Committee is a platform through which Macao and the EU discuss matters in a number of areas. The last **Joint Committee meeting** took place in 2019. However, visits to and from Macao did not resume until 2023.

In February, the Head of the EU Office visited Macao for the first time in 2 and a half years.

On 27 April, the Macao Chief Executive met the Deputy Secretary-General for Economic and Global Issues at the European External Action Service as part of his visit to Europe.

On 23 November, the EU Office, together with the Macau European Chamber of Commerce, organised the 'Green Way Macao', an event on trade and sustainability. Macao's Secretary for the Economy and Finance delivered the keynote speech.

In 2023, the **EU remained Macao's largest trading partner in goods**, ahead of mainland China and accounting for 29% of Macao's total trade.

Based on Eurostat data, **EU bilateral trade in goods with Macao** in the first 11 months of 2023 amounted to EUR 1 036 million. EU exports to Macao consisted mostly of luxury goods, leather articles, clothing and apparel, and watches and jewellery.

The **EU was Macao's fourth largest source of foreign direct investment (FDI) in 2022** (excluding offshore centres), after Hong Kong, mainland China and the US. According to Macao's official statistics, the EU accounted for 5.5% of its total FDI stock in 2022 (excluding offshore centres). According to Eurostat, EU FDI in Macao accounted for EUR 1.52 billion at the end of 2022⁷, while FDI in the EU from Macao amounted to EUR 1.86 billion.

⁷ Eurostat statistics
<https://ec.europa.eu/eurostat/data/database>