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JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Macao Special Administrative Region

Annual Report for 2022

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MACAO SPECIAL ADMINISTRATIVE REGION

ANNUAL REPORT FOR 2022

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 under the Basic Law, which is 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 2022, is issued in line with the commitment made to the European Parliament in 1999.

Macao's integration into the national development plan accelerated in 2022. Its government proceeded with the amendment of the Law on Safeguarding National Security, thereby potentially undermining the political and fundamental freedoms enshrined in the Basic Law. On 15 December, the Legislative Assembly unanimously adopted the bill at first reading.

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 2022.

That year was marked by stringent COVID-19-related social and travel restrictions that isolated Macao from the rest of the world. In February, Macao eased travel restrictions for travellers from mainland China to enable the recovery of an economy that relies heavily on Chinese tourism.

2022 saw a drastic change in the gaming environment, with the trial of Alvin Chau, the chairperson of the largest casino 'junket' operator¹, and the adoption of a new gaming law.

Economic diversification, integration into the Greater Bay Area and the development of the Guangdong-Macao In-Depth Cooperation Zone in Hengqin remained the main development strategies under the guidance of the central government in Beijing.

¹ In the casino world, a 'junket' is a short-term travel programme arranged by a junket operator to attract high-wealth gamblers to Macao, largely from mainland China.

During the first three quarters of 2022, Macao's GDP dropped by 27.8% to Macanese Pataca (MOP) 130.3 billion (EUR 15.6 billion), 61% lower than in 2019 (pre-pandemic). The labour market held up well, and the government continued to provide COVID-19 support measures for the population and companies.

The COVID-related travel restrictions, including a two-week hotel quarantine, continued to prevent officials from the EU Office from visiting Macao or holding events there, thus hindering their work and limiting their contact with government officials, civil society, companies and other stakeholders. The travel restrictions also hampered the EU Member States' consular access to EU citizens in Macao and consular access to Portuguese citizens in Hong Kong.

I. Political, legal and social developments

Since the disqualification of 21 candidates ahead of the Legislative Assembly elections in 2021, the opposition is no longer represented in the Assembly. When publishing the Assembly's activity report, however, its president declared that the body's efficiency had 'significantly increased'.

In December, Macao elected 12 delegates to the National People's Congress (NPC) from a total of 15 candidates. Nine of the delegates elected were former NPC members, including the president of the Assembly.

The **Macau Lawyers' Association** elected as its head Vong Hin Fai, a member of the Legislative Assembly and China's National People's Congress.

The **Taipei Economic and Cultural Office** in Macao continued its operations. In October, the Taiwanese Minister of the Mainland Affairs Council confirmed that Macao had granted a visa extension to the three representatives of Taiwan in the SAR, after a diplomatic stand-off related to Macao's request for the representatives to sign a 'one China pledge', acknowledging Taiwan as part of China. Macao continues to operate an Economic and Cultural Office in Taiwan.

On 10 April 2022, the **Forum for Economic and Trade Cooperation between China and Portuguese-speaking countries (Forum Macao)** held an Extraordinary Ministerial Conference on Economic and Trade Cooperation between China and Portuguese-speaking Countries. Chinese Premier Li Keqiang delivered the opening speech online, in which he called for increased cooperation between China and Portuguese-speaking countries and set up a communication centre on epidemic prevention in Macao.

Impact of COVID-19 policies

Macao implemented mainland China's '**dynamic zero-COVID strategy**'. In January, Macao imposed a two-week ban on inbound passenger flights from outside mainland China, after identifying three positive cases among travellers. On 1 September, Macao reopened its border to the outside world, allowing citizens from 41 nations to enter the territory without prior approval from the health authorities. Hotel quarantine remained in place for travellers from outside mainland China. The length of quarantine was progressively reduced from 21 days at the beginning of the year to 5 days towards the end of the year. A strict lockdown was implemented between 11 July and 23 July. The government ordered residents to undertake several rounds of PCR and rapid antigen testing at various stages of the local outbreak. A testing campaign targeted specific foreign nationals, in particular Filipinos, who are often employed as domestic workers².

Consular access was not possible for diplomats in Hong Kong accredited to Macao due to the strict quarantine requirements.

The population dropped to 672 800 inhabitants in 2022, according to the Statistics and Census Bureau³. Both the number of non-resident workers and the number of European citizens resident in Macao decreased.

Legislative developments

There were two **main legislative developments in 2022**. The first was the amended Gaming Law⁴, which seeks to increase the authorities' control over casino operations and, in particular, over casino junket operators. The second was the amendment of the National Security Law, which was still ongoing at the end of the year. The draft passed at first reading in December indicated that the law would be more restrictive and aligned to the National Security Law of Hong Kong⁵.

The high-profile trial of gaming tycoon Alvin Chau, who was operating VIP rooms in casinos, underscored the authorities' determination to strengthen control of the gaming sector. The court found Chau guilty on 162 charges, including enabling illegal gaming and fraud, and sentenced him to 18 years in prison in January 2023. The second-largest junket operator, Levo Chan was also prosecuted for fraud, money laundering, and running a criminal syndicate⁶.

² <https://www.thestandard.com.hk/breaking-news/section/3/192590/Macao%E2%80%99s-Covid-zero-plan-now-targets-city%E2%80%99s-Filipino-workers>.

³ <https://www.dsec.gov.mo/ts/#!/step2/KeyIndicator/en-US/240>.

⁴ <https://www.al.gov.mo/pt/law/year/507>.

⁵ <https://www.al.gov.mo/pt/law/lawcase/553>.

⁶ <https://www.thestandard.com.hk/section-news/section/11/249158/18-years-in-jail-for-junket-king>

Macao's economy is expected to become less reliant on gambling activities, in the context of China's fight against corruption and money laundering.

In his November policy address, Chief Executive Ho Iat Seng prioritised social issues, quoting from General Secretary Xi Jinping's 1 July speech to mark the 100th anniversary of the founding of the Chinese Communist Party. He announced that the government would proceed with the fifth phase of an extensive public CCTV system known as the 'Sky Eye'. Members of civil society and pro-democracy politicians have expressed concerns about the potential impact on privacy and the use of facial recognition technologies. In July, the UN Human Rights Committee echoed these concerns⁷.

In the policy address, Chief Executive Ho also referred to plans to reform the Legislative Assembly's electoral system in 2023, to implement the 'patriots administering Macao' principle.

The Chief Executive also announced the adoption of the **Trade Union Law**. Although the right to create trade unions was enshrined in the Basic Law, Macao did not have a law legalising their establishment. In January 2023, the Legislative Assembly passed the bill at first reading. Civil society expressed concern that the legislation did not include the right to strike and did not provide for collective bargaining.

National security

The government increased the emphasis on national security. On 15 December, the Legislative Assembly passed a bill entitled '**Amendment to Law No 2/2009 – Law on the Safeguarding of National Security**'⁸ at first reading. That Law, which was first passed in 2009, outlawed treason, secession, acts of subversion against the Central People's Government, sedition, the theft of state secrets, foreign political organisations endangering national security in Macao, and political organisations in Macao colluding with foreign political organisations to endanger national security.

In August, at the launch of the consultation, the Secretary for Security declared that the amendment would enable the law to safeguard national security to the same extent as the laws of mainland China and of Hong Kong. The consultation document stated that, in relation to defending national security, there is only the responsibility of 'one country' without the distinction of 'two systems'.

⁷ https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/SessionDetails1.aspx?SessionID=2572&Lang=en

⁸ <https://www.al.gov.mo/pt/law/lawcase/553>

The amended law expands the scope of the existing offences. The offence of secession now includes ‘non-violent’ actions instead of only ‘violent and other serious illegal actions.’ The target of subversion now covers the entire state regime. The theft of state secrets can be subject to stricter punishment if the information endangers the country’s independence, unity and security interests. The scope of the charge of collusion has been broadened to collusion with any organisations, associations and individuals outside of Macao. The amendment has created new offences, such as the ‘instigation or support of sedition’, which targets speech in private settings. The law’s ‘precautionary measures’ authorise the interception of personal communications and the imposition of temporary exit bans on individuals ‘who display a tendency to commit a crime that could endanger national security’. This goes beyond the provisions included in Hong Kong’s National Security Law (NSL).

The **Macau Lawyers’ Association** and the **Association of Synergy of Macao** pointed out that the specific amendment clauses could not be commented on as the consultation document did not list them. The **Macau Journalists’ Association** expressed concern that the scope of various offences had been expanded without clear legal definitions. The association pointed out that the offence of subversion could be used as a means to restrict freedom of expression and asked if the government would issue guidelines.

Rights, freedoms and equal opportunities

In July, in its periodic review of Macao under the **International Covenant on Civil and Political Rights**, the **United Nations Human Rights Committee** expressed concern about the ban on peaceful assemblies, the lack of protection of migrants’ rights, and the eligibility criteria for the Legislative Assembly⁹.

The Committee noted that Macao’s judiciary appeared to have misinterpreted the Covenant and introduced excessively broad restrictions on the right to freedom of expression and participation in public affairs. The Committee urged Macao to ‘intensify its efforts to raise awareness among judges, prosecutors, the legal profession and the general public of the rights set out in the Covenant, and their applicability under local law.’

Freedom of assembly was still under threat. In 2020 and 2021, the authorities rejected the application from the Democratic Development Union (DDU) to organise candlelight vigils on 4 June to commemorate the anniversary of the Tiananmen massacre in 1989, citing COVID-19 as a reason in 2020 and the possibility of ‘damage the reputation of the central government’ in 2021. In 2022,

⁹ https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CCPR%2FC%2FCHN-MAC%2FCO%2F2&Lang=en

the DDU decided not to apply for an authorisation to organise a candlelight vigil on 4 June, fearing that participants were at a higher risk of arrest.

Freedom of association. The government initiated the procedure for adopting a Trade Union Law, which does not, however, include the right to strike or to collective bargaining. On 12 June, the report on the 45-day consultation that took place in 2021 was published¹⁰. It noted that some opinions highlighted the absence of the right to strike in the proposed law. In response, the government said that the law would introduce a ‘brand new’ system that employers and workers should both adopt ‘gradually’.

Press freedom was still under pressure, as the formerly vocal journalists’ association, the Macau Portuguese and English Press Association, elected a new board that pledged to work with the government and to obtain more funding from the Government Information Bureau.

Privacy and data protection were a source of concern. In the context of the fight against COVID-19, the authorities implemented a system of tracking applications involving the installation of software for geolocation and the collection of personal data.

The amended **Legal System Governing the Interception and Protection of Communications** authorises the police to intercept telecommunications in cases of suspected crimes such as terrorism, crimes endangering national security or cybercrime. Under certain circumstances, the police are allowed to request phone logs from telecom operators without prior approval from a judge. From August 2023, telecom operators will face punishment if they fail to provide data at the request of government agencies.

There are around 23 543 **non-resident domestic workers** in Macao, most of whom are women originating from the Philippines, Vietnam, Indonesia, Myanmar and Nepal. In 2022, pandemic-related travel restrictions prevented them from reuniting with their families abroad. According to domestic workers’ unions, there were instances where domestic workers were not paid, and cases of domestic workers losing their employment due to fear of contamination. Employers did not have to subscribe to health insurance for domestic workers. There was still no standard contract and no minimum income, as the Law on the Minimum Wage for Workers does not apply to foreign domestic workers. Recruitment agencies continued to charge domestic workers expensive fees, often equivalent to two months’ salary.

¹⁰ <https://www.gov.mo/pt/consulta-de-politicas/consulta-publica-sobre-a-lei-sindical/>

There were cases of **discrimination against ethnic minorities**. On 21 July, the government ordered all Filipino nationals, including those resident in Macao, to undergo three consecutive days of nucleic acid tests from 22 to 24 July in the fight against COVID-19. The government lifted the measure after the Progressive Labour Union of Domestic Workers raised concerns regarding discrimination. This was the second nationality-based round of testing in 2022, after a similar instruction targeted citizens from Myanmar in June.

The US State Department included Macao in its ‘Tier 3’ **human trafficking** list, alleging that ‘for the third consecutive year the government did not provide services to any victims nor did it initiate trafficking prosecutions.’¹¹

There has been no social dialogue with the **LGBTIQ+ community** and same-sex marriage is not recognised. As a result, members of the LGBTIQ+ community do not enjoy the same legal rights as other individuals, namely in the field of parental law and inheritance law. Transgender people are not allowed to modify their gender on their ID cards.

Health practitioners still lacked sufficient information about the needs of LGBTIQ+ patients. The organisation ‘Rainbow of Macau’ called on the government to put in place specialised health services and allocate medical personnel to provide the appropriate advice, diagnosis and treatment for gender dysphoria.

II. Economic developments

In the first three quarters of 2022, Macao’s GDP dropped by 27.8% year-on-year¹² to MOP 130.3 billion (EUR 15.6 billion)¹³. This was 61% lower than in 2019, (MOP 330 billion / EUR 39.6 billion), **indicating how heavily** Macao’s economy was affected by restrictions related to the pandemic.

In October, the IMF forecast that Macao’s economy would contract by 22.4% in 2022, compared to a growth rate of 15.5% forecast in April¹⁴. In 2021, Macao’s GDP increased by 18% (after contracting by 56.3% in 2020).

Low numbers of **tourist arrivals** had a significant impact on the economy. In 2022, 5.7 million tourists visited the city, fewer than 15% of the number in the

¹¹ <https://www.state.gov/reports/2022-trafficking-in-persons-report/macao/>

¹² Source: Statistics and Census Service, Government of Macao Special Administration Region (SAR), available at: <https://www.dsec.gov.mo/en-US/>.

¹³ Converted to euro using the December 2021 InforEuro exchange rate.

¹⁴ ‘Recovery During a Pandemic: health concerns, supply disruptions, and price pressures’, October 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>.

same period in 2019 (39.4 million). Exports of gaming services¹⁵ formerly accounted for about half of Macao's GDP. However, due to the fall in tourism, these exports accounted for only MOP 24.8 billion (EUR 3.0 billion) in the first three quarters of 2022 – a 54.5% drop year-on-year, or only 13.7% of their value for the same period in 2019 (MOP 181 billion / EUR 21.7 billion). The average hotel occupancy rate was only 38.5% during the year, compared to 50% in 2021 and 91% in 2019.

The labour market held up well in the difficult economic climate, with a 3.5% unemployment rate at the end of the year, compared to 1.7% before the pandemic.

Inflation remained low, with an average composite consumer price index increase of 1.0%

The reduced level of economic activity resulted in **lower fiscal revenues**, while government expenditure increased. The government had to draw on its fiscal reserves to finance spending. Capital reserves decreased to MOP 563 billion (EUR 67.5 billion) as of November, a 12.2% decrease year-on-year. Nonetheless, they are still sufficient to cover an estimated six years of government expenditure at 2022 levels.

In 2021, the stock of foreign investments reached MOP 334 billion (EUR 40.0 billion), compared to MOP 297 billion (EUR 35.6 billion) in 2020. The largest source of investments was Hong Kong with 49%, followed by mainland China with 34% (excluding investments from offshore centres).

Economic policy

The Chief Executive's annual policy address outlined the economic policies to be implemented in 2023. On the economic front, the priorities are to expedite the recovery, as well as to revive the tourism and gaming sectors, increase investment in infrastructure and housing, and continue the economic diversification strategy.

In line with China's 14th Five-Year Plan for 2021-2025, the Chief Executive underscored the need to further integrate Macao into national policies, in particular, the policies on the Hengqin zone and the Greater Bay Area. He announced the acceleration of infrastructure construction, including new development areas, railway and road transportation links, housing, recycling projects and water drainage works.

¹⁵ Exports of gaming services are measured as the expenditure of non-residents on gaming.

Supporting the economy, which had been affected by pandemic restrictions, remained a key priority. The government extended many of the COVID-19 financial support measures for households and companies (including tax reductions and various fee waivers for people and companies, rental concessions, and a subsidised training scheme).

Residents continued to benefit from the wealth partaking scheme introduced in 2008 to share the rewards of economic development with residents. Permanent residents received MOP 10 000 (EUR 1 199) and non-permanent residents received MOP 6 000 (EUR 719). The Chief Executive announced in his policy address that residents would receive the same amount in 2023, as well as an exceptional consumption subsidy of MOP 10 000 for an additional year. The policy address also introduced a temporary employment subsidy scheme for employers recruiting unemployed local residents. Migrant domestic workers are not included in the wealth partaking scheme.

In June 2022, the Legislative Assembly adopted the **amended Gaming Law**, thereby tightening the rules for the operation of casinos. The amended law authorises the Chief Executive to terminate a casino concession contract on the grounds of threats to national security. It also sets new policy goals of preventing illegal cross-border flows of capital, and of combating money laundering in relation to gaming activities, thus addressing the concerns of the central government. The law also promotes economic diversification, as gaming operators are required to provide investment plans that aim to diversify the economy. The amended law has halved the term of casino concessions to 10 years; capped the number of tables and electronic gaming machines; and banned sub-concessions. Casino concessionaires must undergo a performance review every three years. The law has increased gaming tax by 1% (to 40%) and introduced a minimum annual premium. The minimum share capital to be held by managing directors of casinos (who must be permanent residents of Macao) has been increased from 10 to 15%.

The amended law tightened the rules on **gaming promotion activities**. Promoters can only provide services to one casino concessionaire, while revenue-sharing arrangements between promoters and casinos are no longer allowed. The Legislative Assembly pursued a similar intention when it adopted the ‘Regime for the exploitation of games of chance’ in December. According to government estimates, that law, also referred to as the ‘Junket Law’, has resulted in a significant drop of about 80% in junket activities.

Gaming concessions expired at the end of 2022. The government launched a public tender to award the new concession contracts in line with the amended Gaming Law. The new concessions started in January 2023 and will run for

10 years. The six incumbent gaming operators retained their concessions. A seventh bidder, a unit of the global gaming conglomerate Genting Malaysia, was unsuccessful in the bidding process. Each operator was required to present an investment plan for an estimated total amount of MOP 120 billion (EUR 14.4 billion), including the promotion of non-gaming activities, in line with the diversification strategy.

The **economic diversification strategy** aims to develop industries such as non-gaming tourism, conventions and exhibitions, health (including traditional Chinese medicine), financial services, and science and technology. Despite a decrease over recent years, the gaming sector still accounted for about half of the city's pre-COVID GDP. In his policy address, Chief Executive Ho Iat Seng committed to increasing the contribution of non-gaming sectors to 60% of GDP.

On **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 settlements. To achieve this, the government is reforming the local financial system's legal framework and developing Macao's financial market infrastructure. The Legislative Assembly adopted a new trust law to provide public and financial institutions with property transfer models, estate planning and diversified financial and insurance solutions. As of December 2022, 13 debt securities had been issued on Macao's central securities depository, largely by mainland Chinese banks and government entities.

Since its launch in 2018, total bond listings on Chongwa (Macao) Financial Assets Transaction, S.A. (MOX) – Macao's platform for bond listing and trading – amounted to MOP 350 billion (EUR 41.9 billion), according to its representatives. In March 2022, MOX and the Luxembourg Stock Exchange signed a cooperation agreement, following a Memorandum of Understanding signed in January 2020. It focuses on making securities listed on MOX more visible to international investors.

Economic integration within mainland China

As most pandemic restrictions had been lifted by the end of the year, Macao aimed to regain its position as a centre for tourism and leisure and to develop into a hub for business and financial services, notably between mainland China and Portuguese-speaking countries.

In September 2022, Macao and Guangdong province agreed to strengthen cooperation on supervising medical devices, social security and government services, education and innovation.

The **Guangdong-Macao In-Depth Cooperation Zone** is a territory of about 100 square kilometres located in Hengqin in mainland China, and jointly administered by Guangdong and Macao¹⁶. Its purpose is to enable Macao's economic diversification and to deepen economic and legal integration within mainland China, in line with the priorities of China's 14th Five-Year Plan outlined above.

Macao's integration with mainland China received a significant boost in December when the central government announced that non-commercial vehicles from Macao would be allowed to enter Guangdong province from 1 January 2023 under the Northbound Travel for Macao Vehicles policy.

III. Relations between Macao and mainland China

Following the 20th Party Congress of the Communist Party of China in October, Chief Executive Ho Iat Seng asked different sectors of the local society to study 'the spirit of the 20th National Congress'¹⁷.

Chief Executive Ho met President Xi Jinping on two occasions in 2022: in the margins of the celebrations of the 25th anniversary of the handover of Hong Kong to China, and on the occasion of a duty visit to Beijing.

Significant personnel changes took place in 2022. In March, the central government appointed Fu Ziyang, the former director of the Liaison Office of the Central People's Government, as the National Security Affairs Adviser to the Committee for Safeguarding National Security in Macao. In May, the former vice governor of Fujian province and deputy director of the Liaison Office, Zheng Xincong was appointed Head of the Liaison Office and National Security Affairs Adviser.

IV. EU-Macao bilateral relations and cooperation in 2022

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. It covers cooperation with respect to trade, the economy, science and technology.

¹⁶ The Hengqin cooperation zone is located at the southern edge of the mainland Chinese city of Zhuhai. Only a strip of water separates the zone from Macao, and a bridge links the two together.

¹⁷ <https://macaudailytimes.com.mo/ho-iat-seng-to-fully-implement-spirit-of-national-congress-report.html>

The EU-Macao Joint Committee is a platform for dialogue between Macao and the EU in a number of areas. The 23rd **Joint Committee meeting** was held in 2019, but no further meetings have taken place, despite EU requests.

In the first 11 months of 2022, **the EU overtook mainland China to become Macao's largest trading partner in goods**, accounting for 30% of the SAR's total trade in that period. EU-Macao bilateral trade is almost exclusively (more than 95%) composed of exports to the EU, with around 33% of Macao's imports originating in the EU.

Based on Eurostat data, **EU bilateral trade in goods with Macao** in the first 11 months of 2022 amounted to EUR 1 147 million (less than a 1% increase over 2021). EU exports to Macao, which consisted mostly of luxury goods, leather articles, clothing and apparel, and watches and jewellery, amounted to EUR 1 100 million, and resulted in a trade surplus of EUR 1 053 million.

The EU remained Macao's fourth-largest source of foreign investment in 2021 (excluding offshore centres), after Hong Kong, mainland China and the US. According to Macao's official statistics, the EU accounted for 5.8% of the total foreign direct investment (FDI) stock in 2021 (excluding offshore centres). Portugal alone accounted for 88% of EU investment in the SAR. According to Eurostat, EU FDI stocks in Macao accounted for EUR 1.42 billion as of the end of 2021¹⁸, while Macao FDI stocks in the EU amounted to EUR 1.85 billion.

¹⁸ https://ec.europa.eu/eurostat/databrowser/view/BOP_FDI6_GEO__custom_6643309/default/table?lang=en