

Analysis Report:

10 Years After Macao's Handover

- Generally smooth political operations
- Economy shows signs of recovery
- The judiciary remains independent
- Public security continues to improve
- Interaction between Mainland China and Macao got closer
- The international community basically affirmed the situation in Macao
- Official interaction between Taiwan and Macao needed to be strengthened

I. Overall Review and Analysis

Macao's political operations function smoothly over the past year. The *Macao National Security Law* came into effect in March this year. The Macao government also held elections for the third Chief Executive and fourth Legislative Assembly at the end of July and in late September, respectively. In the economic sphere, gross gaming revenues fell by 12.5% in the first half of the year, but have since started to rebound as the impact of the financial crisis receded. The public security situation continued to improve. Overall criminal activity and violent crime have declined, though the number of overstayers left room for improvement. The international community basically affirmed the situation in Macao, but hoped the Macao government could adopt election methods which better represent the public, and address the problem of human trafficking.

Over the past year, mainland China continued to adjust and control "individual travel" by Mainland residents to Macao. It approved the Overall Development Plan of Hengqin to address land and labor shortages in Macao. It also approved the construction of the Hong Kong-Zhuhai-Macao Bridge and signed economic, trade, tax, and aviation agreements with the Macao government. For instance, the two sides signed a new Memorandum of Understanding regarding air transport market in early February this year; Supplement VI of the Mainland and Macao Closer Economic Partnership Arrangement was later signed in mid-May; and Arrangement between the Macao Special Administrative Region and Mainland of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with

Respect to Taxes on Income was inked in mid-July. These showed that relations between mainland China and Macao got closer.

However, unlike the Hong Kong government, which has actively strengthened exchanges with Taiwan recently, the government of Macao was unable to advance official contacts with Taiwan, possibly due to the chief executive and legislative council elections that took place this year. However, outreaching activities between Taiwan and Macao did steadily warm up over the year. Interaction between the two sides has progressed both in terms of the level and number of departments which were in contact. We hope that, on the basis of current foundation, the new Macao administration could pragmatically and flexibly handle Taiwan-Macao relations, establish institutionalized communication channels, and seriously consider setting up an office in Taiwan to promote positive interaction and development between the two sides.