

Analysis Report: 23 Years After Macao's Handover

- **Political and judicial operations focus on national security; the government continues to implement "patriots ruling Macao"**
- **Economic situation remains challenging due to the impact of the COVID-19 pandemic; the results of economic diversification strategies remains to be seen**
- **Population growth slows and the aging index climbs; economic slowdown disrupts social stability**
- **Acceleration is seen in deepening the coordination and integration of the legal framework for economy and trade between Guangdong and Macao, but satisfaction with cross-border services is not yet reflected**
- **Macao actively advances as a platform for economic and trade cooperation between mainland China and Portuguese-speaking countries; the international community continues to closely watch human rights and freedom issues**
- **Taiwan closely monitors the situation in Macao and pragmatically promotes bilateral exchanges to safeguard national security and the well-being of the people**

I. Overall review and analysis

Macao was handed over to mainland China on December 20, 1999. Premised on Macao maintaining its free economic system and autonomous status, the government of the Republic of China (ROC) treats Macao as a "special area," unique from the Mainland area, in order to maintain consistency and continuity in its Macao policy and the various direct interactions between the people of Taiwan

and Macao. The government therefore annually reports on the overall developments in Macao and the status of Taiwan-Macao relations. This is the 23rd in a series of regular reports, covering the period from December 2021 to December 2022.

In general, political operations in Macao over the past year focused on enhancing national security laws and mechanisms and deepening the policy of "patriots ruling Macao." The Macao government may have embarked on bold amendments to the Safeguarding National Security Law without incurring a significant public backlash, but voices of doubt did emerge. Macao insisted that its judiciary remains independent. However, a review of Macao's implementation of the International Covenant on Civil and Political Rights (ICCPR) by the United Nations (UN) Human Rights Committee expressed concerns over the unfamiliarity of the Court of Final Appeal of Macao with the ICCPR guidelines given its judgements on the bans on public gatherings in 2021 and the disqualification of Legislative Council candidates. Furthermore, reports from the United States (US) and European Union (EU) raised concerns over the restrictions on human rights and freedoms in Macao, with the US adding Macao to its human trafficking blacklist.

Major industrial and commercial activities in Macao came to a halt at one point due to the severe impact of the COVID-19 pandemic. The special administrative region (SAR) experienced negative growth in gross domestic product (GDP) for three consecutive quarters; the unemployment rates were also rising, adding to an increasingly challenging economic situation. Macao's repeated mass nucleic acid testing and financial assistance programs criticized as unfair both stirred social unrest in the Macao society. Meanwhile, economic and trade relations between mainland China and Macao have grown closer, leading to an acceleration of the deepening of coordination and integration of legal frameworks for economy and trade between Guangdong and Macao. Furthermore, amidst the economic downturn, Macao completed the highly anticipated amendments to its Gaming Law that impose more social responsibilities and national security requirements on gaming enterprises. The results of the latest round of gaming

license bidding were announced, with six existing gaming companies receiving 10-year extensions. Further developments in this area are worth watching.

Taiwan-Macao relations continued to be affected by the situation across the Taiwan Strait and the impact of the COVID-19 pandemic. Taiwan will continue to closely monitor the developments of the situation, pragmatically promote exchanges, and enhance risk controls to maintain national security and advance the well-being of the people.

The following is an analysis of the overall developments in Macao 23 years on from its handover, covering the period from December 2021 to December 2022:

1. Political and judicial operations focus on national security; the government continues to implement "patriots ruling Macao"

Over the past year, Macao's political development focused mainly on improving national security laws and mechanisms. On August 22, 2022, the Macao government announced a 45-day public consultation period on amendments to the Safeguarding National Security Law. A total of 5,937 suggestions were received in consultation meetings and information sessions and through letters, calls, faxes, online channels, etc., which were further compiled into 111,049 pieces of detailed opinions. Of these opinions, 93.37% expressed agreement and 0.4% disagreement. Compared with the 2008 public consultation conducted by the Macao government on legislation of Article 23 of the Basic Law of Macao, the text provided for the present consultation only included suggestions for the amendments without incorporating the draft terms of the amendments. This led to criticism of reduced information transparency and that the consultation work this time was more of a formality meant for campaign-building.

Some of the suggested amendments in the consultation text have also evoked differing opinions among the public. For example, "instigating or supporting rebellion" and other newly-added charges have gone beyond the seven major

crimes¹ defined in Article 23 of the Basic Law of Macao. The proposed expansion of regulatory scope from "political organizations or groups" to "organizations or groups" is likely to have an impact on exchanges with the outside world. Moreover, some opinions expressed concern that the addition of measures relating to the "provision of activity data" and "interception of intelligence communications" could legitimize the means and act of data collection by the police. It was also noted that relations between the Macao government and the people are not as intense as that in Hong Kong, prompting questions over whether these draft laws were being overly aggressive by benchmarking themselves with those to the Hong Kong National Security Law. The amendment bill was submitted for review by the Legislative Assembly of Macao in early December. Subsequent developments are worth following.

Furthermore, Macao Chief Executive Ho Iat Seng announced in his November 15, 2022, policy address that, in 2023, Macao would begin to amend the Legislative Council electoral system while enhancing education and training for civil servants on "love for the country and love for Macao" and on ensuring national security. The government also expressed an intention to improve the oath-taking system for civil servants, suggesting that the implementation of the "patriots ruling Macao" principle will be another focal point of Macao's political development.

In terms of judicial operations, Ho Iat Seng emphasized during an activity on October 19, 2022, that the judiciary has strictly observed the Basic Law of Macao and independently exercised jurisdiction since the handover of Macao. The Macao government has also always respected and maintained judicial independence. On October 10, the Macao government announced the appointment of Intermediate Court Judge Tong Hio Fong as the new president of the Intermediate Court, marking the first change in leadership in the intermediate

¹ Treason, secession, subversion against the Central People's Government, sedition, theft of state secrets, foreign political organizations or bodies conducting activities in the Region that undermine national security, political organizations or bodies of the Region establishing ties with foreign political organizations or bodies to engage in activities undermining national security

and higher courts since the handover of Macao. Related comments noted that Tong, when serving as the chairman of the Macao Legislative Assembly Electoral Affairs Commission in 2021, had invoked the "Seven Patriotic Principles" in reviewing candidate eligibility, leading to the disqualification of 21 pro-democracy figures. His appointment was therefore seen as a validation that when it comes to personnel appointments, even the judiciary needs to adhere to the principles of "patriots ruling Macao."

2. Economic situation remains challenging due to the impact of the COVID-19 pandemic; the results of economic diversification strategies remains to be seen

In 2022, the severe impact of the COVID-19 pandemic once brought major industrial and commercial activities in Macao to a standstill. Macao saw negative GDP growth in the first three quarters, with the growth for the third quarter at negative 33.4%. The unemployment rate rose steadily from 3.5% in the first quarter of the year to 4% in the third quarter. The median monthly income of employed individuals fell by 12.5% year-over-year (YoY) in the third quarter to MOP\$14,000. The composite consumer price index (CPI) for the first three quarters increased by 1.11% YoY. In addition, the number of inbound visitors continued to decline, falling by 24.2% to 4.364 million arrivals in the first three quarters of 2022. Revenues in the gaming industry, an economic pillar of Macao, also fell far short of the Macao government's expectations, plunging by 50.9% YoY to MOP\$38.716 billion in the first 11 months of the year, suggesting rare but significant headwinds for the economy.

The most significant economic events in Macao over the past year were the passage of the Amendments to the Gaming Law and a new round of gaming license bidding. On June 21, 2022, the Legislative Assembly of Macao passed revisions to the Legal Framework for the Operations of Casino Games of Fortune, highlights of which included: imposing an explicit limit on the number of gambling

licenses to six; restricting license terms to no more than 10 years, with the possibility of an up to three-year extension; and prohibiting license transfers. The revised framework also authorized the Chief Executive to revoke a license if the related operations imperil Macao's national security. On December 15, the Legislative Assembly of Macao discussed in detail and voted to approve the Casino Games of Fortune Business System. This, combined with the Macao government's statement stressing its resolve to fight illegal gambling, indicates a trend towards stronger regulation.

The results of the latest round of gaming license bidding were announced on November 26. All six of the existing gaming companies in Macao retained their licenses, including (in order of scores): MGM, Galaxy Entertainment Group, Venetian, Melco, Wynn, and SJM. Seventh-ranking GMM, a subsidiary of Malaysia's Genting Group, failed to secure a license. Related commentary noted that all six of the licensed gaming enterprises had a long-standing presence in Macao and were well-positioned to win the bid due to their heavy investments in the SAR and significant employment of Macao residents. The fact that the business landscape remained unchanged may reflect the authorities' consideration of stability. However, under the new regulatory environment, operators will bear greater social responsibility. It remains to be seen whether this will impact revenues, and by extension government tax revenues and public dividends.

The reliance of Macao on gaming as its "one dominant industry" was always risky, but the pandemic further exposed the problems of this concentrated economic structure. In a policy address, Macao Chief Executive Ho Iat Seng outlined a "1+4" economic diversification strategy involving the development of "One Center" for integrated tourism and leisure while growing four nascent industries, namely the "Big Health" industry; modern financial services; high and new technology; and convention and exhibition, sports, and the commercial and trade industries. The strategy also aimed to expand non-gaming industries to

account for 60% of Macao's total GDP. Promotion and implementation of this strategy will be a future focal point.

3. Population growth slows and the aging index climbs; economic slowdown disrupts social stability

According to the results of the 2021 census (conducted in August of 2021) announced by the Statistics and Census Service of Macao on June 7, 2022, Macao's total population is approximately 682,070, up 23.5% since the 2011 census. The annual rate of growth averaged 2.1% over the period, slowing from the 2.4% annual pace between 2001 and 2011. The number of seniors aged 65 and above surged by 107.2% compared to 2011, totaling 82,812 individuals. This represented 12.1% of the total population, up by 4.9% from the previous census and lifting the aging index by 23% to 83.7%.

On July 22, the Legislative Assembly of Macao approved the Legal System Governing the Interception and Protection of Communications, which came into effect on August 1, 2022 (with Article 9 of the framework taking effect on August 1, 2023). The law stipulates 12 categories of crime for which law enforcement can legally intercept communications, including terrorism, endangerment of national security, human trafficking, bribery, and money laundering. For these crimes, the authorities can demand the provision or retention of communications records from telecommunications operators and internet service providers. In response to concerns over the law's potential to infringe the citizens' freedom of communication, the Macao government emphasized that communications interception would require judicial approval, an oversight mechanism that is one of the world's strictest.

Furthermore, in the first three quarters of 2022, overall public safety in Macao remained relatively stable. The number of reported criminal cases fell by 16.7% YoY to 7,329. However, social tensions have risen in Macao over the past year due to the rapid spread of COVID-19 and the backdrop of economic downturn. The Macao government conducted multiple city-wide nucleic acid tests, drawing

public ire. It also rolled out an MOP\$10 billion pandemic relief plan, though the benefits of its initial round were not felt equally. Several Legislative Council members criticized the measures as unfair, stirring public opposition, and causing social divisions. The Macao Chinese Chamber of Commerce suggested a "Second MOP\$10 Billion" economic relief plan to the Macao government. The proposal included the issuance of MOP\$3,000 consumption cards to support non-resident employees, provoking significant controversy among the public. According to media reports, several Macao residents wore shirts printed with the slogan "No Work, No Food" to express their grievances, reflecting that the hardships of the pandemic and a weak economy had disrupted social stability to a certain extent.

4. Acceleration is seen in deepening the coordination and integration of the legal framework for economy and trade between Guangdong and Macao, but satisfaction with cross-border services is not yet reflected

Relations between mainland China and Macao grew closer in 2022. Significant developments in personnel reshuffle are as follows: In March, mainland China's State Council appointed Director of the Liaison Office of the Central People's Government in the Macao SAR (hereinafter the "Macao Liaison Office") Fu Ziyang as a national security affairs advisor of the Macao Committee for Safeguarding National Security. Macao Liaison Office Deputy Director Zheng Xincong and Head of the Liaison Office Public Relations Department Yin Shuhua were appointed as national security technical advisors. Staffing changes were also made at the Macao Liaison Office. On May 30, Zheng Xincong was promoted to Director of the Macao Liaison Office (and concurrently assumed the title of national security affairs advisor on the Committee for Safeguarding National Security of Macao). On November 30, Hong Kong and Macao Affairs Office Deputy Director Huang Liuquan was reassigned to the post of Deputy Director of the Macao Liaison Office.

On the economic and trade front, mainland China's Ministry of Finance issued RMB3 billion of government bonds in Macao, following an earlier issuance in 2019. Guangdong Province also, following an earlier issuance in 2021, issued RMB2 billion in offshore municipal bonds in Macao to support the expansion of Macao's bond market. The People's Bank of China renewed its "currency swap agreement" with the Monetary Authority of Macao to help Macao grow its financial industry and RMB-related operations. In November, Macao resumed its online visa application system for mainland Chinese residents traveling to Macao. Mainland China's injection of resources into the Macao economy underscores the latter's considerable dependence on mainland China.

In the legal sphere, mainland China's Supreme People's Court and Macao signed the Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings on February 25. The Macao government said that the arrangement explores new ground in deepening the alignment of civil and commercial legal matters between mainland China and Macao. In addition, Macao continued to carry out exchanges and cooperation with local governments in mainland China. On September 15, Guangdong and Macao held a joint meeting on cooperation, during which the two sides signed a Memorandum of Understanding (MOU) on Drugs and Medical Devices Monitoring and Co-operation in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), MOU on the Establishment of the "Guangdong-Macao Social Insurance Window" (Hengqin-specific), MOU on Cross-border Government Services between Guangdong and Macao, Framework Agreement on Strengthening Education Exchange and Cooperation between Guangdong and Macao, and Science and Technology Innovation Exchange and Cooperation Agreement between Guangdong and Macao. The Zhuhai-Macao Cooperation Conference was held on December 14, over which the two sides signed documents on international and educational exchanges and cooperation.

As mainland China and Macao become increasingly integrated and connected, growing numbers of Macao residents are leading cross-border lives on

the two sides. According to a survey released on November 14 by the GBA Working Committee of the General Union of Neighborhood Associations of Macao and other organizations, only 37% of these residents are satisfied with the cross-border legal services, public services, and community labor and employment services. The survey also appealed to the government for duly easing restrictions on the business activities of Macao associations in the Guangdong-Macao Intensive Cooperation Zone in Hengqin and Guangdong-Hong Kong-Macao GBA to better serve Macao's cross-border residents.

5. Macao actively advances as a platform for economic and trade cooperation between mainland China and Portuguese-speaking countries; the international community continues to closely watch human rights and freedom issues

In 2022, Macao continued to play the role of a platform for exchanges between mainland China and Portuguese-speaking countries. On April 10, the city hosted a special ministerial meeting for the 2022 Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries. The meeting focused on advancing the liberalization and facilitation of trade and investment, infrastructure links, and joint cooperation in related areas. It also highlighted closer cooperation in the fields of vaccines, drugs, and healthcare. It was announced that a China-Portuguese-speaking Countries Epidemic Prevention Exchange Center would be established in Macao for collaboration on improving the global healthcare governance system. In the same year, Macao held a China-Portuguese-speaking Countries Think Tank Forum. Additionally, the Macao government and mainland China's Ministry of Commerce jointly held a themed forum in Shanghai for collaboration between China and Portuguese-speaking Countries, an event that also facilitated linkages between companies in mainland China and Macao.

In July, the Macao government's second report (the first review report was issued in 2013) on implementation of the ICCPR was reviewed by the UN Human

Rights Committee. Some of the reviewers questioned the familiarity of the Court of Final Appeal of Macao with the covenant standards given their judgments on cases related to the Macao police's banning of "June 4th" assemblies, the disqualifications of Legislative Council candidates by the Electoral Affairs Commission, and other areas. Some committee members raised concerns over issues including whether Macao had extradited criminal suspects to mainland China, the delay by the Independent Commission Against Corruption in publishing its annual report, same-sex marriage, and the rights of foreign workers. The review concluded with a call for Macao to guarantee the rights of public assembly and foreign workers in accordance with the covenant.

In addition, the 2021 Annual Report on Macao issued in May by the EU stated that the implementation of "one country, two systems" in Macao had eroded the political rights and basic freedoms of Macao residents. The report further noted phenomena such as the unprecedentedly low voter turnout in the 2021 Legislative Council elections and media self-censorship. The report further indicated that the border controls hindered EU officials stationed in Hong Kong and Macao from visiting Macao, affecting their work and official contacts. The 2021 Annual Country Reports on Human Rights Practices published by the US in April also raised concerns over the increasing restrictions on the political rights, freedom of speech, and freedom of peaceful assembly of Macao residents.

Furthermore, the US Department of State's Human Trafficking Annual Report released on July 19 downgraded Macao to Tier 3, the third and lowest rank (i.e. the blacklist). The report noted that the Macao government had failed to provide assistance to human trafficking victims for three consecutive years. It also singled out the lack of prosecutions of human traffickers since 2018 and lack of convictions of them since 2019. The report further noted that Macao had not established labor standards for domestic workers. Though rulings were reached on 1,758 labor disputes cases in 2021, they were not made public. Moreover, no anti-trafficking training was provided for business employees posted overseas. The Macao government refuted by saying that Macao had long maintained a low

rate of human trafficking and expressed objection to and regret over the US assessment.

6. Taiwan closely monitors the situation in Macao and pragmatically promotes bilateral exchanges to safeguard national security and the well-being of the people

Taiwan-Macao relations continued to feel the impact of cross-Strait relations and the COVID-19 pandemic. In terms of people-to-people exchanges, between January and October, 2022, about 55,000 outbound departures were made by Taiwanese citizens to Macao, an approximately 5.6% YoY decline, while the number of Macao visitor arrivals to Taiwan fell to around 1,000, roughly on par with the level in the same period of 2021. Regarding Macao students pursuing education in Taiwan, in the 2022 academic year, 522 Macao students applied to study in Taiwan, nearly 200 fewer than the 724 applicants in previous academic year. Moreover, according to Macao government statistics, the number of Taiwanese citizens employed at Macao companies dropped from 1,671 in February 2020, before the COVID-19 pandemic, to 638 in September 2022.

Substantive private-sector exchange visits between Taiwan and Macao did not significantly recover from the impact of the pandemic. Economic and trade relations between the two sides warmed slightly. Between January and November, 2022, the overall trade volume between the two sides reached about US\$108 million, up 3.8% YoY. However, during the year, the Macao government twice announced the detection of COVID-19 virus on the packaging of mangoes imported from Taiwan, leading to a week-long import suspension.

Taiwanese personnel stationed in Macao had their visas renewed; Taiwan's offices in the SAR maintained public services and business operations. Looking ahead to the future development of Taiwan-Macao relations, Taiwan will continue to closely monitor the developments of the situation, promote exchanges in a

pragmatic manner, and strengthen risk management to safeguard national security and enhance the well-being of the people.

II. Appendix – Major Events in the 23rd Year since Macao's Handover

Date	Event
2021.12.21-24	Macao Chief Executive Ho Iat Seng visited Beijing to present a work report.
2022.2.14	The Macao government announced the Macao Special Administrative Region Urban Master Plan (2020-2040).
2022.2.25	Mainland China's Supreme People's Court and Macao signed the Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings.
2022.3	Mainland China's State Council appointed Director of the Liaison Office of the Macao Liaison Office Fu Ziyang as a national security affairs advisor of the Macao Committee for Safeguarding National Security, and appointed Macao Liaison Office Deputy Director Zheng Xincong and Head of the Public Relations Department at the Liaison Office Yin Shuhua as national security technical advisors.
2022.4.7	The Macao Committee for Safeguarding National Security held its first plenary meeting in 2022.
2022.4.10	Macao hosted a special ministerial meeting for the 2022 Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries and established a China-Portuguese-speaking Countries Epidemic Prevention Exchange Center on the same day.
2022.5	The EU issues its 2021 Annual Report on Macao.
2022.5.30	Zheng Xincong was promoted from Deputy Director to Director of Macao Liaison Office and concurrently assumed the post of national security affairs advisor on the Committee for Safeguarding National Security of Macao.
2022.6.7	Macao's Statistics and Census Service released the results of the 2021 census.
2022.6.21	The Legislative Assembly of Macao passed revisions to the Legal Framework for the Operations of Casino Games of Fortune.
2022.7	The UN Human Rights Committee reviewed Macao's implementation of the ICCPR.
2022.7.11-23	Macao implemented "relatively static management" measures in response to the COVID-19 pandemic, temporarily halting all commercial and industrial activities

Date	Event
	of businesses and places of business (except activities necessary to maintaining the functioning of society and the people's livelihood).
2022.7.19	The US issued its Human Trafficking Annual Report, which downgraded Macao to Tier 3, the third and lowest rank (i.e. blacklist).
2022.7.22	The Legislative Assembly of Macao approved the Legal System Governing the Interception and Protection of Communications.
2022.8.22	The Macao government announced a 45-day public consultation period on amendments to the Safeguarding National Security Law.
2022.9.1	The Office of the Commissioner of mainland China's Ministry of Foreign Affairs in Macao enacted measures to facilitate visas for foreign workers in Macao to travel to the Guangdong-Macao Intensive Cooperation Zone in Hengqin.
2022.9.7	Mainland China's Ministry of Finance issued RMB3 billion of government bonds in Macao.
2022.9.12	Macao held the China-Portuguese-speaking Countries Think Tank Forum.
2022.9.15	Guangdong and Macao held a joint meeting on cooperation, during which the two sides signed five documents, including the MOU on Drugs and Medical Devices Monitoring and Co-operation in the Guangdong-Hong Kong-Macao GBA.
2022.10.10	The Macao government appointed Intermediate Court Judge Tong Hio Fong to a three-year term as president of the Intermediate Court.
2022.10.28	Guangdong Province issued RMB2 billion in offshore municipal bonds in Macao.
2022.11	Macao resumed its online visa application system for mainland Chinese residents traveling to Macao.
2022.11	The Macao government and mainland China's Ministry of Commerce jointly held a themed forum in Shanghai for collaboration between China and Portuguese-speaking Countries, an event that also facilitated linkages between companies in mainland China and Macao.
2022.11.15	Macao Chief Executive Ho Iat Seng issued his 2023 policy

Date	Event
	address.
2022.11.26	The results of the latest round of gaming license bidding were announced, with the six existing gaming companies in Macao (MGM, Galaxy Entertainment Group, Venetian, Melco, Wynn, and SJM) retaining their licenses.
2022.11.30	Hong Kong and Macao Affairs Office Deputy Director Huang Liuquan was reassigned to the post of Deputy Director of the Macao Liaison Office.
2022.12	Draft amendments to the Safeguarding National Security Law were reviewed by the Legislative Assembly of Macao.
2022.12	The People's Bank of China announced the renewal of a three-year RMB30 billion/MOP\$34 billion "currency swap agreement" with the Monetary Authority of Macao.
2022.12.14	The Zhuhai-Macao Cooperation Conference was held, during which the two sides signed documents on international and educational exchanges and cooperation.
2022.12.15	The Legislative Assembly of Macao held detailed discussions on and voted to approve the Casino Games of Fortune Business System.
2022.12.16	The Macao government signed gaming operation licenses with MGM and five other gaming enterprises who won the bid.