



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MACAO, CHINA

This report, prepared for the fifth Trade Policy Review of Macao, China, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Macao, China on its trade policies and practices.

Any technical questions arising from this report may be addressed to Angelo Silvy (tel.: 022 739 5249), Martha Lara Fernández (tel.: 022 739 6033), Xinyi Li (tel.: 022 739 5579), and Takako Ikezuki (tel.: 022 739 5534).

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CONTENTS

SUMMARY	7
1 ECONOMIC ENVIRONMENT	13
1.1 Main Features of the Economy	13
1.2 Recent Economic Developments	16
1.2.1 Real sector.....	16
1.2.2 Fiscal policy	18
1.2.3 Monetary and exchange rate policy	22
1.2.4 Balance of payments.....	23
1.3 Developments in Trade and Investment	25
1.3.1 Trends and patterns in merchandise and services trade	25
1.3.1.1 Merchandise trade.....	25
1.3.1.1.1 Overview	25
1.3.1.1.2 Composition of trade	26
1.3.1.1.3 Direction of merchandise trade	27
1.3.1.2 Trade in services.....	27
1.3.2 Trends and patterns in FDI	29
2 TRADE AND INVESTMENT REGIMES.....	32
2.1 General Framework	32
2.2 Trade Policy Formulation and Objectives.....	32
2.3 Trade Agreements and Arrangements	35
2.3.1 WTO	35
2.3.2 Regional preferential agreements	37
2.3.3 Bilateral agreements	38
2.3.3.1 Closer Economic Partnership Arrangement with Mainland China (CEPA)	38
2.3.3.2 The Closer Economic Partnership Arrangement (CEPA) between Hong Kong, China and Macao, China	40
2.3.3.3 Cooperation arrangements in the region	41
2.4 Investment Regime	42
3 TRADE POLICIES AND PRACTICES BY MEASURE.....	44
3.1 Measures Directly Affecting Imports.....	44
3.1.1 Customs procedures, valuation, and requirements	44
3.1.2 Customs valuation	48
3.1.3 Rules of origin	48
3.1.4 Tariffs	48
3.1.5 Other charges affecting imports.....	49
3.1.5.1 Import licensing.....	49
3.1.5.2 Other restrictions.....	52
3.1.6 Anti-dumping, countervailing, and safeguard measures	52
3.2 Measures Directly Affecting Exports	53
3.2.1 Customs procedures and requirements.....	53

3.2.2	Taxes, charges, and levies	54
3.2.3	Export prohibitions, restrictions, and licensing	54
3.2.4	Export support and promotion	55
3.2.5	Export finance, insurance, and guarantees.....	55
3.3	Measures Affecting Production and Trade.....	55
3.3.1	Taxation and incentives	55
3.3.1.1	Taxation	55
3.3.1.1.1	Direct taxes.....	57
3.3.1.1.2	Indirect taxes	57
3.3.1.2	Incentives.....	59
3.3.1.2.1	Tax incentives.....	59
3.3.1.2.2	Financial incentives and other forms of assistance	60
3.3.2	Standards and other technical requirements	63
3.3.3	Sanitary and phytosanitary requirements.....	67
3.3.4	Competition policy and price controls	70
3.3.4.1	Competition policy	70
3.3.4.2	Price controls.....	71
3.3.5	State trading, state-owned enterprises (SOEs), and privatization.....	71
3.3.6	Government procurement.....	72
3.3.6.1	Overview	72
3.3.6.2	Procedures.....	75
3.3.7	Intellectual property rights.....	76
3.3.7.1	Overview	76
3.3.7.2	Industrial property	77
3.3.7.2.1	Patents	77
3.3.7.2.2	Trademarks.....	79
3.3.7.2.3	Other industrial property rights.....	80
3.3.7.2.3.1	Names and emblems of establishments.....	80
3.3.7.2.3.2	Geographical indications and denominations of origin.....	81
3.3.7.2.3.3	Layout designs of integrated circuits	81
3.3.7.2.3.4	Trade secrets.....	81
3.3.7.3	Copyright and related rights	81
3.3.7.4	Enforcement.....	82
4	TRADE POLICIES BY SECTOR.....	85
4.1	Agriculture, Forestry, and Fisheries.....	85
4.2	Mining and Energy	87
4.2.1	Mining and quarrying.....	87
4.2.2	Energy	87
4.2.2.1	Electricity.....	87
4.2.2.2	Fuel	88

4.3 Manufacturing	88
4.4 Services	92
4.4.1 Features	92
4.4.2 Financial services.....	92
4.4.2.1 Banking	93
4.4.2.2 Insurance	97
4.4.3 Telecommunications.....	99
4.4.4 Postal and courier services.....	102
4.4.5 Transport.....	103
4.4.5.1 Air transport.....	103
4.4.5.2 Land transport.....	105
4.4.5.2.1 Road transport.....	105
4.4.5.2.2 Rail transport.....	106
4.4.5.3 Maritime transport	106
4.4.6 Tourism.....	107
4.4.7 Gaming	113
4.4.8 Other services	116
4.4.8.1 MICE (Meetings, Incentives, Conventions and Exhibitions)	116
4.4.8.2 Cultural and creative industries.....	119
4.4.8.3 Traditional Chinese medicine	122
5 APPENDIX TABLES	123

CHARTS

Chart 1.1 Economic performance and tourism, 2012-20 Q1.....	13
Chart 1.2 Macao, China's merchandise exports, 2012-19	25
Chart 1.3 Product composition of merchandise trade, by HS section, 2012 and 2019.....	26
Chart 1.4 Direction of merchandise trade, 2012 and 2019.....	28
Chart 3.1 Binding coverage by non-agricultural product groups	49
Chart 4.1 Tourism sector's performance, 2012-19.....	108
Chart 4.2 Gaming sector performance, 2012-19	113
Chart 4.3 Concessionnaires and sub-concessionnaires	114

TABLES

Table 1.1 Main economic indicators: GDP and employment, by sector, 2012-20 Q1.....	14
Table 1.2 GDP by type of expenditure, 2012-19 and 2020 Q1.....	17
Table 1.3 Public sector accounts, 2012-19	19
Table 1.4 Fiscal Reserve (basic and excess funds), 2013-19	20
Table 1.5 Main monetary, price and exchange rate indicators, 2012-19.....	23

Table 1.6 Balance of payments, 2012-19.....	24
Table 1.7 Main external sector indicators, 2012-20 Q1.....	24
Table 1.8 Services trade, 2012-19.....	29
Table 1.9 FDI flows, 2012-18.....	30
Table 1.10 FDI stock, 2012-18.....	31
Table 2.1 Main trade-related legislation issued/amended/revised since 2013	34
Table 2.2 Selected notifications under the WTO agreements, 01/01/2014-15/06/2020	36
Table 2.3 CEPA subsidiary agreements signed, 2013-19	38
Table 2.4 DTTs and TIEAs	43
Table 3.1 E-customs services	47
Table 3.2 Products subject to import licensing, 2020.....	50
Table 3.3 Import licensing regime, 2020	51
Table 3.4 Export licensing regime, 2020	54
Table 3.5 Main types of taxation, and related exemptions	56
Table 3.6 Consumption tax and motor vehicle tax rates, 2012 and 2019	58
Table 3.7 Tax relief measures for FY 2019	58
Table 3.8 Tax-related measures taken in response to the COVID-19 pandemic.....	59
Table 3.9 Estimated tax revenues forgone, 2013-19.....	59
Table 3.10 Enterprise financing loan interest subsidy scheme, 2013-19	61
Table 3.11 Support to SMEs, 2013-19.....	61
Table 3.12 Young Entrepreneurs Aid Scheme, 2013-19	62
Table 3.13 Technical regulations notified to the WTO, September 2019	64
Table 3.14 Accredited laboratories, 2020.....	66
Table 3.15 Products subject to SPS inspection, 2019	67
Table 3.16 Food standards notified to the WTO since 2013	69
Table 3.17 Active SPS measures in Macao, China, 2020.....	69
Table 3.18 Government procurement, 2013-19.....	72
Table 3.19 Government procurement thresholds under Decree-Law No. 122/84/M	73
Table 3.20 Local and foreign participation in government procurement centrally purchased by the DSF, 2013-19	74
Table 3.21 Membership of international IPR conventions, 2019	76
Table 3.22 Patent administration in Macao, China, 2012-19	78
Table 3.23 Trademark applications, 2013-19	80
Table 3.24 Violations of intellectual and industrial property rights, 2013-19.....	84
Table 4.1 Agriculture and fish trade, 2013-19	85
Table 4.2 Feed-in tariffs for different level of installed PV capacities, September 2019	88

Table 4.3 Structure of the manufacturing industry in 2012, 2015 and 2018	89
Table 4.4 Trade in manufactured goods, 2013-19.....	90
Table 4.5 Financial institutions, 2013-19	94
Table 4.6 Financial highlights of the banking sector, 2013-19	96
Table 4.7 Profitability of the banking sector, 2013-19	96
Table 4.8 Composition of gross premiums, 2013-19	99
Table 4.9 Selected telecommunications indicators, 2012–19	99
Table 4.10 Selected statistics of aviation transport, 2012-19	103
Table 4.11 Overview of tourism sector, 2012-19	108
Table 4.12 Fees charge for licences, 2020	110
Table 4.13 Tourism Industry Development Master Plan, 2015-30.....	111
Table 4.14 Tourism and travel-related services (GATS commitments)	112
Table 4.15 Main gaming casino laws and regulations	115
Table 4.16 Fiscal and financial contributions by casino operators	116
Table 4.17 Temporary exemptions from payment of profit tax	116
Table 4.18 Overview of MICE activities in Macao, China, 2012-19	117
Table 4.19 Support programmes for MICE activities	119
Table 4.20 Principal indicators of the creative and cultural industries, 2015-18	120
Table 4.21 Creative and cultural industries: funding methods and periods, and amount of grants..	121

BOXES

Box 1.1 Macao, China's response to COVID-19	21
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APPENDIX TABLES

Table A1.1 Merchandise imports, by HS section and major HS chapters, 2012-19	123
Table A1.2 Merchandise exports, by HS section and major HS chapters, including re-exports, 2012-19	124
Table A1.3 Merchandise imports by origin, 2012-19	125
Table A1.4 Merchandise exports by destination, including re-exports, 2012-19	126

SUMMARY

1. Macao, China's economy is dominated by services, which account for over 95% of GDP and some 90% of total employment. During the review period (2013-20), gaming continued to be the main economic activity, although its share of GDP declined from 62.9% in 2012 to 50.5% in 2018. The authorities have been trying to diversify the economy away from gaming, since the high level of reliance on it has made the economy vulnerable to external shocks. The first Five-Year Development Plan (2016-20) provides the roadmap toward economic diversification. The Plan set a target for the gaming operators to diversify into other tourism-related activities, and to raise their non-gaming revenue. To promote intersectoral diversification, a number of service sectors have been encouraged, including the Meetings, Incentives, Conventions, and Exhibitions (MICE) industry, traditional Chinese medicine, cultural and creative industries, wholesale and retail trade, real estate and business activities, and financial sector activities.

2. Macao, China has one of the highest per capita incomes in the world. During the review period, GDP per capita rose from USD 75,536 in 2012 to USD 79,977 in 2019. GDP growth proceeded at an uneven pace during the review period: strong growth in 2012 and 2013 was followed by a sharp GDP contraction between 2014 and 2016, a result of weakening demand for gaming and tourism. Relative strong growth resumed in 2017 and 2018, resulting from a strong rebound in external demand, but the economy contracted again in 2019, with real GDP falling by 4.7%, reflecting the decline in gaming revenue, as well as a contraction in gross fixed capital formation. The negative impact of COVID-19 on Macao China's GDP was strong: real GDP is estimated to have declined by 48.7% in the first quarter of 2020 with respect to the same period the previous year. Both the gaming and the MICE industries were hit particularly hard by the COVID-19 pandemic.

3. National savings represent slightly over 50% of GDP, some three times the investment/GDP ratio. This translates into a structurally sizeable surplus in the current account of the balance-of-payments, which reached USD 17.7 billion in 2019, equivalent to 32.9% of GDP. This situation is explained by the sizeable services balance surplus, which amounted to USD 38.5 billion in 2019 or 71.4% of GDP, mainly a result of receipts from gaming and tourism services totalling USD 39.7 billion. Total services exports reached USD 43.2 billion in 2019, and accounted for 96.0% of total exports of goods and services. Although Macao, China has no public external debt, its gross external debt reached 186% of GDP in 2018, on account of large private external debt, and reflected the considerable inflows of private foreign capital, particularly destined to the gaming industry. Macao, China does not conduct an autonomous monetary policy, as its currency, the Macao pataca (MOP), is pegged to the Hong Kong dollar. Macao, China's monetary authority seeks to uphold monetary stability and the free convertibility of the Macao pataca; supporting the exchange rate peg is its prime monetary policy objective.

4. Substantial fiscal surpluses were posted throughout the period under review; they were deposited in a Fiscal Reserve Fund, which provides a buffer against the high volatility of the main source of revenue: direct taxes on gaming. The estimated fiscal surplus for 2019 was equivalent to 11.5% of GDP. A public-sector deficit is expected in 2020. This is mainly due to the effects on receipts of the temporary shutdown of casinos and the sharp decline in visitors caused by the COVID-19 pandemic, and to the cost of the fiscal packages put in place in February and April 2020 to partly offset the negative effects of COVID-19 on economic activity, which amounted to an estimated MOP 52.6 billion or 12.9% of (2019) GDP. The measures applied include: handouts to residents; additional health spending; transfers to eligible employees and to self-employed professionals and eligible firms under the condition of not laying off employees; transfers to certain services providers; utilities free of charge for residents for three months; interest-free loans and interest subsidies for SMEs; and tax exemption/deductions for residents and local enterprises. A number of welfare measures were also introduced.

5. Macao, China is an open economy, with the value of trade (imports and export of goods and services) equivalent to 117.1% of GDP in 2019. During the 2012-19 period, merchandise exports increased at an average annual rate of 6.5%, reaching USD 1.59 billion in 2019, while imports rose by an average of 3.2% per year and totalled USD 11.2 billion. Most merchandise exports are actually re-exports (88.2% in 2019). Machinery and electronic equipment are the main export items, accounting for 23.3% of total merchandise exports in 2019, followed by precision equipment (9.4%), precious stones and metals (8.6%), and textiles and clothing (7.9%). Imports of manufactures account for the largest share of merchandise imports, in particular machinery and electrical machines (14.1% of the total in 2019), chemicals (13.7%), prepared food, beverages and tobacco (10.5%),

and precious stones and metals (9.8%). Macao, China's major trading partners as regards imports are Mainland China (31.3% share in 2019); the European Union (27.3%); Switzerland (7.6%); Japan (6.7%); and Hong Kong, China (6.2%). The main merchandise export destinations are Hong Kong, China (60% of the total); and Mainland China (8.4%).

6. Macao, China, an original Member of the WTO, grants at least MFN treatment to all its trading partners, and considers non-discrimination, predictability and transparency as important elements for a stable multilateral trading system. In this regard, it regularly submits up-to-date notifications concerning changes to its legislation and trade policies covered under the WTO Agreements, and has actively participated in negotiations, such as those on information technology. Macao, China ratified the Protocol concerning the Trade Facilitation Agreement (TFA) in April 2016 and, in August 2017, it ratified the Protocol Amending the TRIPS Agreement, which it had accepted in June 2009. In the Eleventh WTO Ministerial Conference in Buenos Aires, Macao, China, subscribed to the Joint Ministerial Statement on Investment Facilitation for Development, and participates in the informal dialogue on this subject. Macao, China is not a signatory nor an observer to the Plurilateral Government Procurement Agreement. Macao, China has not been involved in any WTO dispute settlement cases either as a complainant, respondent or third party. In September 2020, Macao, China notified the WTO that it would join the Multi Party Interim Appeal Arbitration Arrangement, pursuant to Article 25 of the Dispute Settlement Understanding.

7. Since the last Review in 2013, Macao, China has been engaged in the continuous updating and implementation of the Closer Economic Partnership Arrangement (CEPA) with Mainland China. In addition, it concluded a free trade agreement with Hong Kong, China. Five new agreements were signed under the CEPA, including two on services (the Guangdong Agreement and its extension), and one each on investment, economic and technical cooperation, and trade in goods. The Agreement on Trade in Goods, which came into effect on 1 January 2019, establishes rules of origin for over 8,000 tariff lines, instead of only 1,260 tariff lines previously, and contains measures aimed at facilitating trade within the area. The Guangdong Agreement and its extension resulted in the opening of 153 services subsectors in China to service suppliers from Macao, China. The CEPA between Hong Kong, China and Macao, China, signed on 27 October 2017, covers trade in goods, trade in services, investment, intellectual property, and economic and technical cooperation. The liberalization of trade in goods and services was implemented on 1 January 2018; this includes binding the existing zero-tariff regimes, agreeing not to apply anti-dumping or countervailing measures on imported goods originating in the other party, granting national treatment to the services and services suppliers of the other party, and making specific commitments on a number of services subsectors.

8. There is no specific foreign investment legislation in Macao, China, as its laws do not distinguish between domestic and foreign investment. Domestic and foreign companies are subject to the same commercial and bankruptcy laws and the same registration rules. Foreign firms and individuals may freely establish companies, branches, and representative offices. There are no restrictions on capital flows or foreign exchange operations, nor on the participation of foreign capital in existing or newly established businesses, provided that the investor abides by the Anti-Money Laundering and Combating the Financing of Terrorism Guideline issued by the Monetary Authority of Macao, China. Foreign investors can freely acquire real estate property and land in Macao, China. Licensing requirements apply to domestic and foreign investment in finance, insurance, and banking. Investment in gaming and in public services (electricity, water and gas) by both domestic and foreign companies requires a concession from the Government. Terrestrial television services are also subject to concession contracts, whereas satellite TV services require a licence.

9. Since the last Review, Macao, China has adopted measures to further streamline customs procedures and facilitate trade, including the ratification of the WTO Trade Facilitation Agreement (TFA); the enhancement of an IT-based customs clearance system; and the simplification of customs procedures for goods under the CEPA agreement between Macao, China and Mainland China. Since the entry into force of the TFA on 22 February 2017, Macao, China has implemented provisions contained in Section I of the Agreement under Category A, except paragraph 4 of Article 10 (Single Window), which was designated to fall under category B with an indicative date for implementation of 31 December 2019. Macao, China has no preferential or non-preferential rules of origin on imports, but it does have preferential rules of origin with respect to exports to China under the CEPA. For re-exports, the initial conferred origin of the goods is maintained.

10. All applied tariffs are kept at a rate of 0%. The tariff schedule comprises 6,641 tariff lines at the eight-digit level in 2020. Macao, China continues to submit its customs tariff and import data regularly to the WTO Integrated Database. During the review period, to reflect commitments under the Information Technology Agreement (ITA) Expansion, Macao, China rectified and modified its WTO schedule of tariff concessions, effective from 6 November 2014. Macao, China has bound only 30.5% of its tariff lines, all at a zero rate. While all agricultural lines are bound, only 19.2% of non-agricultural tariff lines are bound, with the binding coverage varying by product group. The absence of bindings for nearly 70% of total tariff lines is in contrast with Macao, China's practice of having all applied rates at zero, and may create uncertainty for traders. The predictability of its trade regime would be considerably enhanced by increasing the number of lines bound.

11. Excise duties are imposed on certain products: imported and domestically produced tobacco products and alcoholic beverages over a certain alcoholic content are subject to the consumption tax, while vehicles are subject to vehicle taxes; both are levied based on their c.i.f. value in the case of imports, regardless of their origin. Taxes on tobacco and automobiles were increased since the last Review. Import licensing requirements are applied to several categories of goods, primarily on grounds of public health, safety, public security, environmental protection, intellectual property rights enforcement, and consumption tax collection. The products concerned include: live animals; plants listed under CITES; certain foods; pharmaceuticals; narcotic drugs and psychotropic substances; certain chemicals; goods subject to excise duty; equipment and materials for the production of compact discs; radiocommunication equipment; and arms and ammunition. Import licences are granted within three working days if the criteria stipulated in the law are met; they are valid for 30 days and are not transferable. Macao, China does not have legislation on trade remedies, nor does it apply any such measures.

12. Macao, China does not grant any export subsidies. It does not maintain any export processing zones, special economic zones or free trade zones. Exporters can benefit from the promotional activities and other services provided by the Macao Trade and Investment Promotion Institute, which include trade, economic and statistical information, help to participate in international fairs, and facilitation of business-matching contacts. Macao, China does not operate any concessional export finance scheme, or any insurance or guarantee scheme.

13. The taxation system relies mostly on direct taxes, in particular those imposed on gaming activities. In 2020, in order to help cope with the adverse effects of the COVID-19 pandemic, legislation was approved to provide temporary exemptions or deductions from several direct and indirect taxes. Macao, China offers several incentive schemes across economic activities in order to attract businesses to establish and operate in the territory. They take the form of tax incentives, financial support, and other forms of assistance. There are also incentives to promote the development of particular industries, such as local fisheries, tourism and the MICE industry. Tax incentives are granted for projects considered to promote development and are applied equally to foreign and local enterprises. The most common type of incentive remains profit tax exemptions and reductions.

14. There are also a number of non-tax incentives, mainly in the form of financial support targeted to investment projects, SMEs and young entrepreneurs. Enterprises investing in Macao, China may benefit from the Enterprise Financing Loan Interest Subsidy Scheme, which provides an interest rate subsidy of 4 percentage points per annum for a maximum period of four years to companies investing in Macao, China. SMEs may benefit from interest-free financial assistance and credit guarantees for loans. Additionally, in March 2020, the SME Bank Loan Interest Subsidy Scheme was introduced, with an implementation period of six months, to assist SMEs facing difficulties due the COVID-19 pandemic. Macao, China also grants subsidies to companies to promote job creation among targeted social groups, such as the unemployed, young first-time job seekers, and persons with disabilities.

15. There is no integrated regime for standardization, accreditation and certification, and there is no official standardization body. Macao, China does not establish its own standards but adopts prevailing international standards and technical requirements. There are no specific procedures to develop technical regulations. However, when a product becomes subject to a licensing requirement, the corresponding standard becomes mandatory; hence, it becomes a technical regulation. During the review period, Macao, China made 12 notifications to the WTO under the TBT Agreement. Macao, China maintains a list of products subject to SPS inspection, which is reviewed periodically. The SPS table was most recently amended on 1 January 2017. Products subject to inspection include most plants, flowers, fruit and vegetables, animals, fish, animal products, ice cream, and sugar cane.

The importation of these products requires an import licence, as well as a valid sanitary certificate. Since 2013, Macao, China has published 11 food safety standards, notified to the WTO as SPS measures. It maintains two active SPS measures which have the effect of prohibiting imports.

16. Macao, China does not have a comprehensive competition law, nor does it have a dedicated competition enforcement agency. Provisions aimed at fostering competition, discouraging unfair business practices, and protecting consumer interests are scattered throughout the Commercial Code and sector-specific regulations. Although, in general, there are no price controls or administered prices, public utility tariffs, such as electricity, water, telephone service, postal services and taxi fares, are regulated or monitored by the relevant regulatory agencies.

17. The Protocol Amending the TRIPS Agreement on compulsory licensing under Paragraph 6 of the Doha Declaration entered into force in Macao, China on 6 September 2017. Macao, China is not a contracting party to the Convention Establishing the World Intellectual Property Organization (WIPO). The membership of international treaties administered by WIPO is extended to Macao, China through arrangements between China and WIPO. Since the last Review in 2013, China has notified to the WIPO that two international treaties have been extended for application in Macao, China; these are the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

18. Agriculture and fisheries account for less than 1% of GDP. Macao, China is a net importer of agriculture and fish products, and its trade deficit in these products grew to USD 1.82 billion in 2019 (from USD 1.32 billion in 2013), with imports of USD 1.92 billion, accounting for 15.4% of total imports of goods, and exports of USD 101 million, representing 6.2% of total merchandise exports. The major suppliers of imports of agriculture and fish products were Mainland China and the EU-28, which accounted for about 29.6% and 25.1% of the total, respectively, in 2019. All applied tariffs on agricultural and fishery products are maintained at a zero rate. The fisheries sector benefits from the Fisheries Development and Support Fund, which provides interest-free loans to fishermen for ship maintenance and repair, to purchase fuels, for research and training activities, and in cases of natural disasters or epidemics.

19. In its energy policy, the Government prioritizes environmental protection, energy conservation, and the use of clean and safe alternative energies. All prices related to energy must be approved by the Government. A "partial liberalization" of the electricity market has been pursued in recent years, with a view to introducing competition and ensuring a steady supply of electricity. Generation and importation were liberalized, but Macao, China continues to rely mainly on the China Southern Power Grid; local generation plays a supplemental role, with natural gas being the principal fuel. There is still one single operator for the downstream transmission and distribution of electricity, under a 15-year concession contract from the Government, valid until 31 December 2025, and subject to review every five years.

20. The manufacturing sector is small, representing less than 1% of GDP. Food and beverages remain the main subsector, accounting for almost half of all manufacturing production. Other subsectors include publishing and printing, and cement and concrete production. Almost all enterprises in the manufacturing sector are SMEs. Macao, China is a net importer of manufactures; its trade deficit reached USD 7.1 billion in 2019. The EU-28 and Mainland China were the main suppliers. Major imported items included consumer goods, and machinery and transport equipment. Applied duties for imported goods in the manufacturing sector are zero rated; however, only 19.2% of non-agricultural tariff lines are bound in the WTO.

21. Banks and other credit institutions require a licence to operate in Macao, China; no economic needs test is performed. As at December 2019, there were 30 banks, mainly foreign-owned, a financial company, and a non-bank credit institution. The three largest banks hold almost two thirds of the total banking assets, which were the equivalent of more than 400% of GDP in 2019. The banking sector is well capitalized, with a capital adequacy ratio well above the 8% requirement; the non-performing loans ratio remained low during the review period, at 0.2% in the second quarter of 2019. During the period under review, new provisions were incorporated into the legislative and regulatory framework to fight money laundering and combat the financing of terrorism. A number of regulations to strengthen the supervision of the financial system, for instance on capital adequacy, were also introduced. Insurance companies may be licensed as a locally incorporated company, a branch with its head office overseas, or a representative office. Locally incorporated companies and branches of foreign insurance companies may conduct insurance business in Macao, China on a national treatment basis. No individual or corporate body may acquire, directly or indirectly, a

qualified shareholding in an insurer with its head office in Macao, China, or increase its shareholding to a proportion equal to or higher than 5% of the capital or of the voting rights, without prior authorization.

22. Since 2012, when fixed-line telecommunications services were liberalized, there have been no exclusive telecommunication services in Macao, China, and the market is currently fully liberalized. Companies may apply for licences to install and provide public telecommunication networks and services in accordance to applicable regulations and licensing regimes; however, licences may be made conditional upon the needs of the economy. Obtaining a licence is generally subject to public tendering; the licence is transferrable, subject to prior approval from the regulator. A licensed operator must be a company registered in Macao, China. Licences are granted following a positive list approach, listing the services that can be provided by the licensee. During the review period, the penetration rate for mobile telecommunications reached 411.0% in 2019, up from 277.2% in 2012 and, as at end-2019, 86.5% of the population had access to Internet. There are currently two operators licensed for building and operating fixed public telecommunications networks, and five operators, including one mobile virtual network operator, licensed to provide mobile telecommunications services.

23. Macao, China pursues an "open-skies" policy in air transport services. Therefore, there are no restrictions on, *inter alia*, designation, capacity, and ownership. Macao, China currently maintains 50 air services agreements. As regards land transport, developing a system of mass public transportation is a priority, as laid out in the Macao General Policy of Land Transport (2010-20). In this respect, the Macao Light Rapid Transit (MLRT) Taipa Line became operational in December 2019, and the Government has initiated extension projects.

24. Macao, China is a net exporter of travel services. After a brief stagnation during 2015 and 2016, arrivals started to rise and in 2019, Macao, China welcomed its highest ever number of total visitors, estimated at 39.4 million. Tourists from Mainland China; Hong Kong, China; and Chinese Taipei comprised over 90% of the total market. Following the worldwide outbreak of COVID-19 in early 2020, Macao, China's tourism industry was severely affected, with a sharp decline in visitor arrivals and tourist spending. In response to the COVID-19 pandemic, the authorities put in place a number of measures to assist the tourism industry, which include: an exemption for six months, from 1 May 2020, of the tourism tax for establishments providing services, such as hotels, nightclubs, bars, and other venues; the waiver of fees; and profit tax relief.

25. The gaming sector remains the major driving force for the tourism industry and for the overall economy. Although below its 2013 record level (87% of GDP), gross gaming revenue remains very large: it represented over 65% of GDP in 2019. Gaming is regulated through the Gaming Law and other laws and regulations. During the review period, Macao, China changed the regulatory regime of gaming services, discontinuing greyhound activities in 2018. Gaming activities that remain available are casino games of fortune, horse racing, and lotteries. Regarding casinos, licences were granted to three concessionaires and three sub-concessionaires, each of whom has the right to operate a land-based casino gaming business as an independent legal person; they ran a total of 41 casinos in 2018. There is also a concession for horse racing, and two concessions for lotteries. The Gaming Law stipulates that the Government treat all gaming concessionaires and sub-concessionaires in a non-discriminatory manner and ensure that they comply with the rules of competition; arranged agreements and practices are prohibited. The abuse of a dominant position in the market or a substantial market share in the gaming industry that may impede, restrict or distort competition between the concessionaires is also prohibited. Casino operators must pay a gaming tax of 35% of their gross revenue, an additional annual contribution of 1.6% to the Macao Foundation (which supports cultural and philanthropic activities), and an annual contribution of not more than 3% of gross revenue for urban development, tourism promotion and social security. Revenue from gaming (direct taxes and transfers) accounted for 84.4% of the Government's total revenue in 2019.

26. During the review period, the Government continued to promote the meetings, incentives, conventions and exhibitions (MICE) activities, which followed an upward trend up to early 2020. The number of events increased by 50% between 2012 and 2019, mainly driven by an increase in the number of meetings and conferences; the number of participants and revenue also rose. Despite its positive previous trend, MICE activities were affected by the outbreak of COVID-19 in 2020, with a sharp decline in the number of events and participants. To help develop MICE activities, the Government launched a series of incentive programmes, including financial incentives, to support

activities and encourage local enterprises to participate in trade fairs to promote their products. The amount of financial support varies according to the programme. In addition, the industry may benefit from the general measures introduced by the Government to support economic activity during the COVID-19 pandemic.

27. Creative and cultural industries are part of the Government's strategy of promoting economic diversification. During the review period, activities grew steadily, although the industry's contribution to GDP remains small. There are several support schemes to promote the cultural and creative industries, including the Subsidy Programme Series for Macao's Cultural and Creative Industries, dedicated to cultural and artistic activities such as design and filming. Since 2013, the Cultural Affairs Bureau has been implementing subsidies programmes for fashion design, feature film production, production of original song albums, and production of original animation short films. The Cultural Industry Fund provides financial aid to projects related to cultural industries, in the form of subsidies and interest-free loans; commercial enterprises legally established and registered in Macao, China are eligible. In view of the economic effects of COVID-19, the Fund adopted a one-year extension of the repayment period from 2020 to 2021 for interest-free loans for 75 funded cultural and creative enterprise projects.

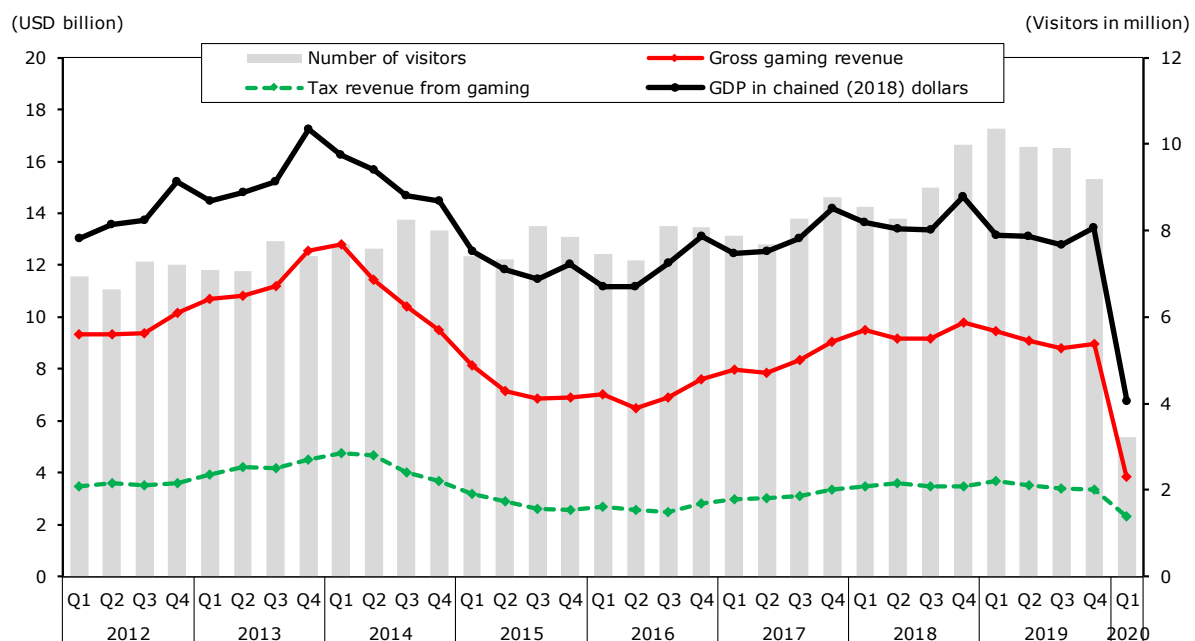
28. Macao, China continues to support the traditional Chinese medicine industry (TCM), which is one of the priority areas for economic diversification under the guidelines of the Five-Year Development Plan (2016-20). In 2015, the Traditional Medicine Centre was established, aimed at fostering the development of Chinese medicine professionals, enhancing their qualifications through training, and increasing the investment of resources for the industry's development. The Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao (GMTCM Park), inaugurated in 2011, seeks to promote the integrated development of industry-academy-research and the application of technologies and products in the area of TCM, and assists enterprises with high-quality TCM products and technologies in breaking into the markets of Portuguese-speaking countries, the European Union and others, thus promoting the internationalization of TCM.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Macao, China's economy is dominated by services, which accounted for 95.8% of GDP in 2018, roughly the same percentage as in 2012. During the review period, gaming continued to be the main economic activity, although its share of GDP declined from 62.9% in 2012 to 50.5% in 2018. This excessive reliance on gaming makes the economy vulnerable to external shocks, as shown by the considerable fluctuation of GDP growth rates during the review period. Other services of importance include real estate, financial services, wholesale and retail, hotels and restaurants, and renting and business activities. These activities rely, to a large extent, around the gaming industry (Chart 1.1).

Chart 1.1 Economic performance and tourism, 2012-20 Q1



Source: WTO Secretariat's calculations, based on the Statistics and Census Service (DSEC) database.

1.2. Most of the rest of GDP, excluding services, is accounted for by construction activities, which are classified under the secondary sector and represented 3% of GDP in 2018, a similar share to 2012, but below its 6.5% peak in 2015. The manufacturing sector remains small, accounting for 0.5% of GDP in 2018, and agriculture is negligible, with no official information on its share in GDP or employment (Table 1.1).

1.3. The authorities are conscious of the economy's great dependence on a single industry. In this respect, the first Five-Year Development Plan (2016-20), issued in 2016, contains the main elements of its economic policy, and provides the roadmap toward economic diversification. The Plan calls for the achievement of the following seven major targets by 2020: (i) stable development of the overall economy, resuming GDP growth while maintaining a fiscal balance, as set out in the Basic Law of Macao, China; (ii) further optimization of the industrial structure, by striving to increase the proportion of revenue from non-gaming businesses, including wholesale and retail, hotels, food and beverages, construction, and finance; (iii) the gradual formation of a business environment for tourism and leisure industries; (iv) a continuous improvement in people's quality of life, by devising a plan for the allocation of social welfare and by developing public transportation and other services, including refining the infrastructure for the Internet of Things (IoT) and cloud computing, with the aim of facilitating Macao, China's development as a smart city; (v) the continued development of culture and education, e.g. by optimizing the professional accreditation system; (vi) efficient and effective environmental protection, controlling carbon dioxide emissions by expediting legislation on exhaust emissions of in-use vehicles and the regulation of the standards for unleaded petrol and

light diesel oil; and (vii) further improvement in administrative efficiency and legal governance.¹ The authorities noted that the Government of the Macao Special Administrative Region (SAR) invited a consulting team of the Institute for Contemporary China Studies, Tsinghua University, to provide a mid-term assessment of the implementation of the Five-Year Development Plan during the period 2016-18. A report, which combines the results of the consulting team and the government self-assessment, was released in October 2019, indicating that the average completion rate for the Plan was 90.3%.²

Table 1.1 Main economic indicators: GDP and employment, by sector, 2012-20 Q1

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Nominal GDP (MOP billion)	343.8	411.9	442.1	362.2	362.9	407.3	444.7	434.7	56.6
Nominal GDP (USD billion)	43.0	51.6	55.3	45.4	45.4	50.7	55.1	53.9	7.1
Real GDP (annual % change)	9.2	11.2	-1.2	-21.6	-0.7	9.9	5.4	-4.7	-48.7
Nominal GDP per capita (USD)	75,536	86,680	89,005	70,712	70,278	78,197	83,425	79,977	40,800
Unemployment rate (%)	2.0	1.8	1.7	1.8	1.9	2.0	1.8	1.7	2.1
Population ('000)	582.0	607.5	636.2	646.8	644.9	653.1	667.4	679.6	696.1
Sectoral distribution of GDP at producers' prices									
Secondary sector	4.1	3.7	5.1	7.8	6.7	5.1	4.2	..	..
Mining and quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	..	..
Manufacturing	0.5	0.4	0.4	0.6	0.6	0.6	0.5	..	..
Electricity, gas and water supply	0.5	0.5	0.5	0.7	0.7	0.8	0.6	..	..
Construction	3.1	2.9	4.2	6.5	5.4	3.7	3.0	..	..
Tertiary sector	95.9	96.3	94.9	92.2	93.3	94.9	95.8	..	..
Wholesale and retail	5.3	5.3	5.2	5.6	5.3	5.7	5.8	..	..
Hotels and similar activities	3.1	3.1	3.5	3.8	4.1	4.3	4.6	..	..
Restaurants and similar activities	1.7	1.6	1.6	1.7	1.8	1.7	1.6	..	..
Transport, storage and communications	1.9	1.8	2.0	2.7	2.9	2.6	2.6	..	..
Banking	2.9	3.3	3.9	5.3	5.6	5.4	5.3	..	..
Insurance and pension funding	0.7	0.7	0.6	1.0	1.3	1.1	1.3	..	..
Real estate activities	6.6	7.1	8.4	10.2	10.6	10.5	9.6	..	..
Renting and business activities	3.2	3.3	3.7	3.9	4.7	4.7	4.7	..	..
Public administration	3.0	2.8	3.0	4.2	4.4	4.3	4.1	..	..
Education	1.3	1.2	1.3	1.8	1.9	1.9	1.8	..	..
Health and social work	1.0	0.9	1.0	1.3	1.5	1.4	1.4	..	..
Gaming and junket activities	62.9	63.1	58.5	48.0	46.7	49.0	50.5	..	..
Other community, social and personal services; households with employed persons	2.3	2.1	2.1	2.6	2.6	2.3	2.3	..	..
Employment share by economic activity (%)									
Manufacturing	3.0	2.5	1.9	1.7	2.0	1.7	1.7	1.6	1.5
Electricity, gas and water supply	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.4
Construction	9.4	9.8	13.5	13.8	11.4	8.6	8.1	7.9	9.2
Wholesale and retail trade	12.3	12.4	11.6	11.3	11.3	12.1	11.3	10.7	12.4
Hotels, restaurants and similar activities, of which:	15.4	15.0	14.1	13.9	14.7	14.4	14.6	14.5	12.8
Hotels and similar activities	7.9	7.6	7.0	7.3	7.7	8.1	7.9	8.2	7.4
Restaurants and similar activities	7.5	7.4	7.1	6.6	6.9	6.3	6.6	6.2	5.3
Transport, storage and communications	4.7	4.4	4.9	4.4	5.0	5.0	5.0	5.1	4.7
Financial intermediation	2.4	2.6	2.8	2.7	2.7	3.0	2.8	3.1	2.8
Real estate and business activities	7.1	7.6	7.8	7.5	7.8	8.0	8.3	9.0	9.8
Public administration and social security	7.3	7.1	6.6	7.4	7.3	7.6	7.7	7.2	6.3
Education	3.8	4.0	3.8	4.2	4.1	4.5	4.5	4.5	4.2
Health and social welfare	2.5	2.5	2.6	2.8	3.1	3.4	3.2	3.2	3.4
Recreational, cultural, gaming and other services, of which:	26.1	25.9	24.2	23.8	23.8	24.3	25.0	25.0	24.3
Gaming and junket activities	23.0	23.1	21.5	21.1	20.8	21.2	21.8	22.0	22.0
Domestic work	5.2	5.6	5.6	6.0	6.5	7.1	7.4	7.8	8.0
Others	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2

.. Not available.

Source: DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>; Monetary Authority of Macao, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics>; IMF Country Report No. 19/123, May 2019; and World Bank, *World Development Indicators*. Viewed at: <https://databank.worldbank.org/source/world-development-indicators>.

¹ Government of Macao SAR, *The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

² Document viewed (in Chinese) at: https://www.cccmtl.gov.mo/files/mid_eva_cn.pdf.

1.4. With respect to infrastructure, the Plan lists a number of major urban development projects, including, *inter alia*: the construction of a new urban zone (New Urban Zone Area A)³; the construction of a fourth raw water pipeline, to secure a safe water supply for Macao, China; the expansion and improvement of the reservoirs at Ka Ho and Seac Pai Van, from about 640,000 m³ to 1.26 million m³, to be completed by end-2020; resuming and completing construction of the Light Rail Transit (LRT) depot, and carrying out installation, adjustments and trials, system consolidation tests, and acceptance examinations for LRT trains and equipment; and the construction of new Guangdong-Macao border crossings.⁴ Work to expand the capacity of the Ka-Ho reservoir started in September 2019, and is expected to be completed in 2021; after completion, the capacity will increase from 340,000 m³ to 740,000 m³. The expansion work of the Seac Pai Van reservoir is expected to be completed by end-2020. The construction of the LRT depot was completed in May 2019, and the LRT Phase 1 – Taipa Line officially opened on 10 December 2019. The pile foundation work for the project of the new Guangdong-Macao border crossing (Qingmao Checkpoint) started in May 2018. The work on the superstructure was completed in December 2019, and the whole project is expected to be completed in 2020. The tender for the fourth sea-crossing bridge between the Macao Peninsula and Taipa Island was carried out in December 2018. Construction is scheduled to start in 2020 and is expected to be completed in 2024.

1.5. During the review period, the authorities were promoting both intersectoral (away from gambling) and intra-sectoral diversification. With respect to intersectoral diversification, a number of service sectors, including conference and exhibition, recreation, leisure, and cultural and creative services, were promoted. As a result, hotels, restaurants, wholesale and retail trade, real estate and business activities, and banking reported increases in revenues from 2015 to 2017, realizing some progress in diversification. To promote intra-sectoral diversification in the gaming industry, the SAR Government is encouraging gaming operators to actively transform the gaming industry from high-end VIP-oriented to less volatile mass-market gaming, by rolling out a series of strict measures on eligibility verification, auditing and compliance-monitoring, to promote the well-regulated development of the gaming industry, especially VIP gaming. The Plan also set a target for gaming operators to diversify into other activities, and to raise their non-gaming revenue to at least 9.0% of their total revenue by 2020. The authorities indicated that this target was achieved ahead of time, as the rate rose from 6.7% in 2014 to 10.4% in 2017.

1.6. In the quest to promote diversification away from gambling, the DSEC studied economic activity concentration⁵, and developed the Entropy Index of Economic Diversity.⁶ According to the study, the sectoral concentration in Macao, China rose constantly between 2002 (when gaming was liberalized) and 2013, before beginning to fall in 2014. This trend was consolidated in 2015, when gross gaming revenue declined by 34.1%. The study found that, during 2013-17, the total receipts of the major non-gaming industries grew by 29.4%, from MOP 286.16 billion (USD 35.8 billion) to MOP 370.37 billion (USD 46.1 billion). The top three non-gaming industries that posted the largest growth in receipts were financial activities (+64.9%); construction (+37.2%); and real estate and business activities (+36.6%). As a result of the development of non-gaming industries, the Entropy Index, based on gross value-added of economic activities at producers' prices, increased from 1.61 in 2014 to 1.87 in 2015, which indicates a slight decline in sectoral concentration. Subsequently, the Index increased to 1.92 in 2016, but declined to 1.86 in 2017. The authorities indicated that this was mainly due to a recovery in gaming and junket activities (their share of value-added at current producers' prices in the industrial structure increased from 46.7% in 2016 to 50.5% in 2018).

1.7. Macao, China has also been promoting the development of the Meetings, Incentives, Conventions, and Exhibitions (MICE) industry, traditional Chinese medicine, cultural and creative industries, and modern financial businesses, with a focus on financial leasing, Renminbi (RMB) clearing services for Portuguese Speaking Countries (PSCs), and wealth management. In the past

³ The reclamation of lands for the New Urban Zone Area A was completed in 2017, and the design for several lots in the Area designated for public housing had already commenced by early 2020.

⁴ Government of Macao SAR, *The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

⁵ DSEC, *Relatório da Análise "Sistema de Indicadores Estatísticos para o Desenvolvimento da Diversificação Adequada da Economia de Macau"* (Analysis Report of the Statistical Indicator System for Moderate Economic Diversification of Macao (in Chinese and Portuguese only)). Viewed at: https://www.dsec.gov.mo/getAttachment/0c45e71c-d9c5-46fe-9fe3-83664720f282/E_SIED_PUB_2017_Y.aspx.

⁶ The Entropy Index of Economic Diversity compares employment or income distributions among industries in a region to an equi-proportional distribution. Higher entropy index values indicate greater relative diversification, while lower values indicate relatively more specialization.

few years, concrete steps have been taken to advance the development of modern financial businesses as one of the Government's strategic industries. In 2017, according to information provided by the authorities, the gross value-added of the emerging industries (also including financial activities, which consist of banking, insurance and pension funds) was estimated to have reached MOP 31.6 billion, representing 7.9% of the gross value-added of all economic activities, and 21.9% above 2015 levels. In 2018, the gross value-added of the emerging industries was estimated at MOP 35.3 billion (36.5% higher than in 2015), representing 8.1% of the gross value-added of all economic activities. The development of these industries and their prospects were severely affected by the COVID-19 pandemic.

1.8. One of the goals established in the Five-Year Development Plan is to increase the value of trade between Macao, China and the PSCs by 10% by 2020, compared to an initial value of MOP 600 million (USD 75 million) in 2015. The authorities noted that this goal was more than achieved ahead of time in 2018, when the value of trade between Macao, China and the PSCs reached MOP 814 million (USD 102 million). In June 2013, the China and Portuguese-speaking Countries Co-operation and Development Fund was inaugurated, and its headquarters moved from Beijing to Macao, China in June 2017. The Fund, with capital of USD 1 billion, aims to support the development of projects and investments in China (including Macao, China) and the PSCs.

1.2 Recent Economic Developments

1.2.1 Real sector

1.9. GDP growth was uneven during the review period: after experiencing strong economic growth in 2012 and 2013, the economy contracted sharply between 2014 and 2016, with a particularly strong 21.6% real GDP reduction in 2015 (Table 1.2). Relative strong growth resumed in 2017 and 2018, but the economy contracted again in 2019, with real GDP falling by 4.7%. The economic downturn in the 2014-16 period was a result of weakening demand for gaming and tourism. The economic recovery in 2017 and 2018 resulted from a strong rebound in external demand, while the 2019 decline can be explained by the negative impact of the decline of gaming revenue, as well as a contraction in gross fixed capital formation. The impact of COVID-19 on Macao, China's GDP was strong: real GDP is estimated to have declined by 48.7% in the first quarter of 2020 with respect to the same period the previous year.

1.10. During the review period, GDP per capita rose, but fluctuated considerably, increasing from USD 75,536 in 2012 to USD 83,425 in 2018, one of the highest per capita incomes of the world, and decreasing to USD 79,977 in 2019. GDP per capita is expected to decline further in 2020, following the effects of the COVID-19 crisis. This high level of wealth was mostly linked to the fast expansion of the gaming industry, and the infrastructure and services built around it.

1.11. As pointed out above, in 2017 and 2018, the economy of Macao, China resumed growth, gathering a solid pace in 2018, (5.4% real growth rate), driven by the expansion of external demand. Nominal GDP reached MOP 445 billion for the year (USD 55 billion).⁷ Exports of goods rose by 12.8% year-on-year to MOP 16 billion, contributing 0.4 percentage points to real economic growth. Exports of services rose by 9.7% year-on-year to MOP 352 billion, contributing 7.4 percentage points to real economic growth. Private consumption and government expenditure increased by 4.2% and 3.5% year-on-year, respectively, contributing 1.0 and 0.3 percentage points to real economic growth. Gross fixed capital formation, on the other hand, dropped by 10.4% year-on-year to MOP 74.2 billion, with a negative contribution of 2.0 percentage points to real economic growth. Imports of goods and services expanded by 7.3% and 7.8% year-on-year, jointly subtracting 2.5 percentage points to GDP growth.

1.12. In 2019, GDP contracted by 4.7% in real terms, mainly affected by a sharp decline in gross capital formation, particularly in construction, and by the weakness of exports of services. Sluggish growth in gross fixed capital formation and exports of services reduced real economic growth by 3.4 percentage points and 2.7 percentage points, respectively. This resulted from gaming revenue shrinking despite an increase in tourism inflows and in the number of visitors.⁸ Private consumption

⁷ AMCM (2019), *Annual Report 2018*. Viewed at: https://www.amcm.gov.mo/files/research_and_stats/annual_reports/2018/en/annual_report_2018_en.pdf.

⁸ AMCM (2019), *Macao Economic Bulletin, Second Quarter 2019*. Viewed at: https://www.amcm.gov.mo/files/research_and_stats/research_and_publication/macao_economic_bulletin/en/2quarter.2019_en.pdf.

and government expenditure jointly contributed 1.1 percentage points to GDP growth in the period concerned. In the first quarter of 2020, GDP plummeted, contracting by 48.7% with respect to the same period in 2019, despite a 5% increase in government spending. The strong decline in domestic demand, in particular private consumption (-15.2%) and gross capital formation (-36.7%), explains a substantial part of the contraction. However, the most affected activities were exports of services, which declined by 60%, in particular gaming (-61.5%), with a subsequent strong negative impact on GDP.⁹

Table 1.2 GDP by type of expenditure, 2012-19 and 2020 Q1

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Annual % change (chained 2018 dollars)									
GDP at market prices	9.2	11.2	-1.2	-21.6	-0.7	9.9	5.4	-4.7	-48.7
Private consumption expenditure	7.6	6.7	5.9	2.1	-0.8	2.2	4.2	2.9	-15.2
Government final consumption expenditure	5.6	5.5	6.4	4.2	4.5	-0.1	3.5	3.9	5.0
Gross capital formation	17.0	6.8	36.3	3.3	-14.0	-3.6	-6.5	-19.5	-36.7
Gross fixed capital formation	20.2	9.3	37.1	5.4	-11.9	-2.5	-10.4	-20.1	-37.2
By type of assets									
Construction	24.8	12.8	39.6	7.8	-12.7	-3.4	-14.4	-23.7	-37.0
Machinery and equipment	5.3	-4.9	23.8	-10.6	-5.4	4.4	18.8	-1.1	-37.8
Net exports	8.4	14.6	-13.0	-43.1	6.6	24.2	11.5	-4.9	-75.1
Exports	10.5	13.2	-4.5	-26.6	-1.9	16.8	9.8	-3.6	-58.4
Goods	30.5	7.2	20.6	10.2	-20.3	13.3	12.8	-8.3	-23.5
Services, of which:	9.9	13.4	-5.3	-28.1	-0.8	17.0	9.7	-3.4	-60.0
Gaming	9.4	13.6	-6.6	-34.6	-4.7	16.9	10.7	-4.0	-61.5
Post and telecommunications	-13.5	-8.6	-2.0	-35.3	6.1	-10.2	-13.1	-20.3	-31.6
Financial and insurance services	23.1	22.7	20.7	17.8	18.5	3.9	-8.5	21.9	-5.9
Imports	14.3	10.7	12.5	1.1	-10.4	7.9	7.4	-1.7	-30.7
Goods	14.7	16.2	14.3	1.0	-12.6	6.3	7.3	1.1	-30.8
Services, of which:	13.1	-4.5	6.7	1.6	-3.2	12.7	7.8	-8.9	-30.3
Household final consumption expenditure abroad	8.7	1.9	3.5	4.8	1.0	4.4	5.7	6.8	-44.7
Government expenditure abroad	65.9	-71.8	-30.4	177.5	-58.4	14.5	-16.1	-5.2	-27.0
Post and telecommunications	6.0	-9.2	3.3	-15.0	-0.2	12.2	1.9	21.1	-48.5
Financial and insurance services	5.6	13.2	11.9	7.9	8.9	5.0	3.7	9.5	-12.1
GDP by type of expenditure (% of GDP at current prices)									
Private consumption expenditure	20.4	19.2	20.0	26.1	26.4	24.3	23.8	25.4	41.1
Government final consumption expenditure	6.9	6.5	7.0	9.6	10.4	9.7	9.5	10.4	16.9
Gross capital formation	14.7	14.1	19.6	25.1	21.6	19.5	17.2	14.2	15.3
Gross fixed capital formation	13.6	13.3	18.8	24.6	21.6	19.7	16.7	13.7	14.6
By type of assets									
Construction	10.9	11.2	16.3	21.9	19.1	17.3	14.0	11.0	11.8
Machinery and equipment	2.7	2.1	2.5	2.7	2.6	2.4	2.6	2.7	2.8
Changes in inventories	1.1	0.7	0.8	0.5	0.0	-0.2	0.5	0.5	0.7
Net exports	58.0	60.2	53.3	39.2	41.6	46.6	49.6	50.1	26.7
Exports	91.1	90.6	84.9	77.9	76.1	79.9	82.8	83.6	70.3
Goods	3.3	2.9	3.2	4.3	3.4	3.4	3.6	3.4	5.6
Services, of which:	87.9	87.7	81.7	73.6	72.7	76.5	79.2	80.2	64.7
Gaming	65.3	65.4	60.2	50.2	48.9	51.5	53.8	54.3	43.0
Post and telecommunications	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Financial and insurance services	1.4	1.7	2.1	2.8	3.0	2.8	2.8	3.8	5.8
Imports	33.1	30.4	31.6	38.7	34.5	33.3	33.2	33.4	43.7
Goods	24.2	23.4	24.6	29.9	25.7	24.3	24.1	24.8	32.3
Services, of which:	8.9	7.1	7.0	8.8	8.8	9.0	9.1	8.6	11.3
Household final consumption expenditure abroad	2.4	2.1	2.0	2.5	2.5	2.4	2.4	2.6	2.8
Government expenditure abroad	1.7	0.4	0.3	1.0	0.4	0.4	0.3	0.3	0.3
Post and telecommunications	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial and insurance services	1.2	1.0	0.9	1.3	1.6	1.6	1.5	1.8	2.9

Source: DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

1.13. Macao, China has a very large savings-to-GDP ratio. According to the IMF, national savings represented 51.9% of GDP in 2017 and 50.8% in 2018, while the investment/GDP ratio was only 19.5% in 2017 and 17.2% in 2018.¹⁰ These excess savings translate into a structurally sizeable current account of the balance-of-payments.

⁹ DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

¹⁰ IMF (2019), *People's Republic of China – Macao Special Administrative Region, 2019 Article IV Consultation Discussions; Press Release; Staff Report; and Statement by the Executive Director for Macao SAR*, IMF Country Report No. 19/123, May 2019. Viewed at: <https://www.imf.org/~media/Files/Publications/CR/2019/1MACEA2019001.ashx>.

1.14. The unemployment rate remained low throughout most of the period under review, at 2.0% or less (1.7% in 2019). Total employment reached 387,000 in 2019, of which 281,000 were residents. In the wake of the COVID-19 crisis, the number of unemployed increased, and the rate rose to 2.1% in the first quarter of 2020. The labour force participation rate was 70.3% in 2019. Some 90% of the population is employed in services activities; the largest employer is the gaming industry which, in 2019, accounted for 22.0% of total employment, followed by hotels and restaurants (14.5%). Macao, China has a large number of non-resident workers.¹¹

1.2.2 Fiscal policy

1.15. The Basic Law requires the Macao SAR Government to exercise fiscal prudence, so as to have the means to ensure social wellbeing through the provision of housing, healthcare and education, the prevention or mitigation of disasters, and the protection of fiscal reserves from risks. Accordingly, the fiscal goal of the Government is to ensure a balanced budget, and maintain a prudent management system for the fiscal reserves (see below).

1.16. The public sector posted a substantial surplus throughout the period under review; this hovered between 30.2% of GDP in 2013 and 7.7% in 2016, and fed the Fiscal Reserve. In 2018, the public sector surplus reached 13.1% of GDP. The main source of revenue stems from gaming, in particular direct taxes on gaming, which, in 2018, accounted for 75.6% of total revenue, equivalent to 24.4% of GDP. Other direct taxes accounted for 6.4% of total revenue in the same year (Table 1.3). The estimated fiscal surplus for 2019 was equivalent to 12.9% of GDP. However, due to the effects on receipts caused by COVID-19, due to the temporary shutdown of casinos and the sharp decline in visitors, as well as to the effect of the fiscal packages put in place in February and April, the public sector accounts are estimated to be in deficit in 2020 (see below).

1.17. Macao, China maintains a Fiscal Reserve, established under the Fiscal Reserve Act (Law No. 8 of 2011, *Regime Jurídico da Reserva Financeira*) which came into effect on 1 January 2012. The Fiscal Reserve comprises two parts: basic reserves and excess reserves. The basic reserve component encompasses financial reserves intended to act as the ultimate guarantee for Macao, China's payment capacity. The basic reserves' value must be equivalent to 150% of all expenditure appropriations for the Central Services of the Macao SAR, contained in the last budget examined and approved by the Legislative Assembly. Excess reserves are financial reserves destined to promote the implementation of Macao, China's public finance policy, and to offer payment guarantee; they can be used, *inter alia*, to finance an annual budget deficit and to complement financial resources used to promote socio-economic development. Excess reserves are equivalent to the remaining balances of the financial reserves after covering the basic reserve component. The resources of the Fiscal Reserve stem from the following sources: (i) central budget surpluses, after the appropriate legal deductions are made; and (ii) the proceeds resulting from the investment of the Fiscal Reserve's resources.

1.18. As mentioned above, the value of the basic reserves must always be maintained at 150% of all expenditure appropriations for the Central Services of the Macao SAR, contained in the last budget examined and approved by the Legislative Assembly. If the value falls below this threshold, the Government must fill in the gap with resources from excess reserves; if it is over it, resources are transferred to the excess reserve component. The reserves must be invested; any use of them, other than for investment, must be approved by the Legislative Assembly. Basic reserve funds can only be used once excess reserves have been exhausted.¹²

1.19. During the period under review, the Fiscal Reserve accumulated funds; these reached MOP 579.4 billion at end-2019, equivalent to 133.3% of GDP; of these, MOP 148.9 billion were basic reserves and MOP 430.5 billion were excess reserves (Table 1.4).

¹¹ DSEC (2020), *Employment Survey 2019*. Viewed at: https://www.dsec.gov.mo/getAttachment/a2e7f250-4bc5-4df1-917c-77f2af58193c/E_IE_PUB_2019_Y.aspx.

¹² Macao SAR, Law No. 8/2011, *Regime Jurídico da Reserva Financeira* (Legal Regime of the Financial Reserve). Viewed at: <https://bo.io.gov.mo/bo/i/2011/35/lei08.asp>.

Table 1.3 Public sector accounts, 2012-19

(MOP billion and % of GDP)

	2012	2013	2014	2015	2016	2017	2018 ^a	2019 ^a
Total revenue (MOP billion)	145.0	175.9	161.9	116.1	110.5	126.4	141.3	140.7
By principal components								
Tax revenue from gaming, of which:	113.4	134.4	136.7	89.6	84.4	99.8	113.5	112.7
Direct tax	107.0	126.7	128.9	84.4	79.5	94.0	106.8	106.0
Transfers	6.4	7.6	7.8	5.1	4.9	5.9	6.7	6.7
Other	31.6	41.6	25.2	26.5	26.1	26.5	27.8	28.0
By economic classification								
Current revenue	130.2	152.6	156.7	110.1	103.0	119.4	133.2	132.9
Direct taxes, of which:	112.0	132.4	136.0	93.4	88.5	103.3	116.0	116.9
from gaming	107.0	126.7	128.9	84.4	79.5	94.0	106.8	106.0
Indirect taxes	5.0	5.5	5.7	4.2	4.1	5.1	5.7	4.9
Fees, fines and other penalties	1.9	2.0	2.3	2.0	2.0	1.8	2.1	1.7
Property income	3.5	3.4	3.1	3.2	1.8	1.5	0.9	0.8
Transfers	6.5	7.8	8.2	5.3	5.2	6.2	7.1	7.0
from gaming	6.4	7.6	7.8	5.1	4.9	5.9	6.7	6.7
Sales of durable goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales of services and non-durable goods	1.0	1.2	1.2	1.4	1.2	1.2	1.2	1.2
Other current revenue	0.4	0.4	0.3	0.5	0.2	0.3	0.2	0.3
Capital revenue	14.8	23.4	5.1	6.0	7.5	6.9	8.1	7.9
Sales of fixed capital	0.8	4.7	0.5	0.8	0.7	0.0	1.2	2.2
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.4	0.4	0.6	0.6	0.5	0.8	0.9
Other capital revenue	13.6	18.2	3.9	4.5	6.1	6.2	4.7	4.5
Reimbursements not deducted from payments	0.1	0.1	0.3	0.2	0.2	0.2	1.4	0.3
Total expenditure	54.0	51.4	67.1	80.8	82.6	81.3	83.0	84.7
Current expenditure	36.8	42.1	57.9	68.0	70.5	60.6	63.8	67.9
Capital expenditure	17.2	9.3	9.1	12.7	12.1	20.7	19.3	16.7
Investments	14.4	7.7	7.8	9.7	9.5	13.8	16.6	13.8
Fiscal surplus(deficit)	91.0	124.6	94.8	35.4	27.9	45.1	58.3	56.0
Total revenue (share of GDP)	42.2	42.7	36.6	32.1	30.5	31.0	31.8	32.4
By principal components								
Tax revenue from gaming, of which:	33.0	32.6	30.9	24.7	23.3	24.5	25.5	25.9
Direct tax	31.1	30.8	29.2	23.3	21.9	23.1	24.0	24.4
Transfers	1.9	1.9	1.8	1.4	1.3	1.4	1.5	1.5
Other	9.2	10.1	5.7	7.3	7.2	6.5	6.3	6.4
By economic classification								
Current revenue	37.9	37.0	35.5	30.4	28.4	29.3	30.0	30.6
Direct taxes, of which:	32.6	32.1	30.8	25.8	24.4	25.4	26.1	26.9
from gaming	31.1	30.8	29.2	23.3	21.9	23.1	24.0	24.4
Indirect taxes	1.4	1.3	1.3	1.2	1.1	1.3	1.3	1.1
Fees, fines and other penalties	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.4
Property income	1.0	0.8	0.7	0.9	0.5	0.4	0.2	0.2
Transfers	1.9	1.9	1.9	1.5	1.4	1.5	1.6	1.6
from gaming	1.9	1.9	1.8	1.4	1.3	1.4	1.5	1.5
Sales of durable goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales of services and non-durable goods	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Other current revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
Capital revenue	4.3	5.7	1.2	1.7	2.1	1.7	1.8	1.8
Sales of fixed capital	0.2	1.1	0.1	0.2	0.2	0.0	0.3	0.5
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.2
Other capital revenue	4.0	4.4	0.9	1.2	1.7	1.5	1.1	1.0
Reimbursements not deducted from payments	0.0	0.0	0.1	0.1	0.1	0.0	0.3	0.1
Total expenditure	15.7	12.5	15.2	22.3	22.8	20.0	18.7	19.5
Current expenditure	10.7	10.2	13.1	18.8	19.4	14.9	14.3	15.6
Capital expenditure	5.0	2.3	2.1	3.5	3.3	5.1	4.3	3.8
Investments	4.2	1.9	1.8	2.7	2.6	3.4	3.7	3.2
Fiscal surplus (deficit)	26.5	30.2	21.4	9.8	7.7	11.1	13.1	12.9

a Provisional.

Source: DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>; and *Yearbook of Statistics, 2016, 2017, and 2018*.

1.20. As a result of exercising fiscal prudence, as stipulated in the Basic Law, Macao, China's public finances remained stable, with unbroken years of fiscal surpluses until 2019, and there is no public debt. This allowed the SAR Government to continue to inject money into welfare programmes, such as the Wealth Partaking Scheme, the Central Provident Fund System, and the Continuing Education Programme, and to provide healthcare vouchers, electricity and tap water tariff bill subsidies, and bus fare concessions. New tax incentives were also introduced, including a reduction in profit tax for

enterprises engaging in innovation, and research and development (R&D)¹³; a reduction to 8% of the property tax rate for leased properties; an increase the personal income tax allowance for citizens over 65 years of age; and an exemption of the profit tax on investment income from bonds issued in Macao, China by governments and state-owned enterprises (SOEs) of Mainland China, and of the stamp duty for issuing and acquiring the related bonds. Moreover, local enterprises were offered profit tax waivers for revenue generated from PSCs.

Table 1.4 Fiscal Reserve (basic and excess funds), 2013-19

(MOP million)

	2013	2014	2015	2016	2017	2018	2019
Basic reserves	111,921	116,455	131,880	132,824	127,945	147,547	148,888
Excess reserves	56,978	129,882	213,175	305,839	362,093	361,256	430,514
Fiscal reserves	168,899	246,337	345,055	438,663	490,038	508,803	579,403

Source: Information provided by the authorities; and DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

1.21. The budget projections for fiscal year (FY) 2019 estimated a 13.3% rise in revenue from 2018 and a 2.2% increase in expenditure, resulting from an increase of 9.0% in current expenditure and a 14.9% reduction in capital expenditure. The estimated budget surplus for 2019 was MOP 19 billion. The Policy Address for the Fiscal Year 2019 covered a number of measures to advance development in the gaming industry and the tourism sector, to promote adequate economic diversification, to further support small and medium-sized enterprises (SMEs), to secure local employment, and to intensify regional cooperation, with an emphasis on building the Guangdong-Hong Kong-Macao Greater Bay Area. The actual surplus for calendar year 2019 was MOP 56 billion, equivalent to 12.9% of GDP.

1.22. In spite of the substantial fiscal surpluses and the creation of the Fiscal Reserve, the main source of revenue, gaming, remains volatile, and there is an absence of medium- and long-term fiscal planning. In the report resulting from Macao, China's 2019 Article IV Consultations, the IMF noted that, although fiscal space is ample, with large fiscal reserves and no public debt, fiscal policy decisions are rather discretionary while following the conservative Basic Law mandate of balanced budgets. It also highlights Macao, China's infrastructure development needs and social spending considerations, and the long-term spending pressure stemming from an ageing population that will boost pension and healthcare costs.¹⁴ In this respect, the IMF noted that Macao, China would benefit from a medium-/long-term fiscal framework (MLTFF) for efficient use of gaming-dependent fiscal resources; given the substantial fiscal space, the MLTFF could integrate an explicit counter-cyclical fiscal framework within budget preparation. The IMF also recommended that authorities ensure that their planned Sovereign Wealth Fund (SWF) is integrated into the MLTFF. The authorities noted that the SAR Government conducted a feasibility study regarding establishing an SWF in Macao, China by examining the operations of major SWFs worldwide; reviewing pertinent laws and regulations in Macao, China; and reviewing research papers published by relevant international organizations. Based on the results of the study, the SAR Government will collect further opinions about the implementation of the SWF, as its establishment will involve allocating funds from the Fiscal Reserve.

1.23. In the Policy Address for the Fiscal Year 2020, the authorities highlighted that the Government would implement a proactive fiscal policy and implement a series of relief measures in response to the COVID-19 pandemic.¹⁵ The package of fiscal and other measures introduced to partly offset the negative effects of COVID-19 on the economic activity amount to an estimated MOP 52.6 billion or 12.1% of (2019) GDP.¹⁶ The measures applied include: handouts to residents; additional health

¹³ A triple reduction for the first MOP 3 million of joint venture R&D expenditure, and a double reduction in profit tax for any additional expenditure, subject to a ceiling of MOP 15 million.

¹⁴ IMF (2019), *People's Republic of China--Macao Special Administrative Region, 2019 Article IV Consultation Discussions; Press Release; Staff Report; and Statement by the Executive Director for Macao SAR*, IMF Country Report No. 19/123, May 2019. Viewed at: <https://www.imf.org/~media/Files/Publications/CR/2019/1MACEA2019001.ashx>.

¹⁵ Chief Executive Office, *Highlights of Policy Address for the Fiscal Year 2020 of the Macao Special Administrative Region (MSAR)*. Viewed at: https://www.policyaddress.gov.mo/data/policyAddress/2020/en/2020_summary_e.pdf.

¹⁶ IMF, *Policy Responses to COVID-19*. Viewed at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A>; and Chief Executive's Office, *Highlights of Policy Address for the Fiscal Year 2020 of the Macao Special Administrative Region (MSAR)*. Viewed at: https://www.policyaddress.gov.mo/data/policyAddress/2020/en/2020_summary_e.pdf.

spending handouts to permanent residents; transfers to eligible employees and to self-employed professionals and eligible firms under the condition of not laying off employees; transfers to taxi drivers leasing a taxi, lessees of wet market stalls, holders of hawker licences or holders of tricycle rickshaw licences; making utilities free of charge for residents for three months, and subsidizing them for firms, other than gaming operators and high-end hotels, also for three months; providing interest-free loans and interest subsidies for SMEs; providing interest subsidies for self-employed individuals; providing training for unemployed workers; and granting tax exemptions/deductions for residents and local enterprises.¹⁷ A number of welfare measures were also introduced (Box 1.1).

Box 1.1 Macao, China's response to COVID-19

Fiscal measures

Key fiscal measures introduced in February and April 2020 include:

- Profit Tax Relief: reduction of the tax payable for 2019, with a ceiling of MOP 300,000.
- Increase of the Salaries Income Tax deduction rate of taxable personal income tax for 2020 from 25% to 30%. Grant of an extra tax rebate: increase of the rebate on salaries income tax for Macao, China residents (permanent and non-permanent) for 2018, from 60% to 70%, subject to a ceiling of MOP 20,000.
- Waiver of the tourism tax on hotels and similar establishments, for a period of six months.
- Waiver of 100% of the Property Tax for 2019 in respect of residential properties held by residents, and waiver of 25% for commercial and industrial properties, in addition to an initial MOP 3,500 tax reduction.
- Waiver of the annual commercial vehicle licence tax and of inspection charges.
- Waiver of facility inspection fees for hotels, restaurants, bars and travel agencies.
- Waiver of fees and stamp duties for licence and administrative licence issuance and renewal.
- Subsidy scheme for businesses and self-employed professionals who are employing staff: each business location/outlet is entitled to a one-off subsidy, ranging from MOP 15,000 to MOP 200,000, depending on the number of employees hired by the respective business location/outlet. The maximum subsidy eligible to each taxpayer is MOP 1 million, under the condition of not laying off employees for a period of six months. The following industries are not entitled to the scheme: public utility companies; public bus operators; city light rapid transit system operators; public telecommunications firms; financial service businesses; formal education institutes and higher education institutes; social service agencies; and gaming concessionaries and sub-concessionaries. The transfers are estimated to amount to MOP 2.4 billion, or 0.6% of GDP.

Welfare measures

- Employee and self-employed cash allowance scheme: disbursement of a MOP 15,000 allowance to each eligible local employee and self-employed professionals, in three monthly instalments of MOP 5,000 per month. Local employees receiving the maximum tax rebate of MOP 20,000 from personal income tax for 2018, and civil servants, are excluded from this scheme. The transfers are estimated to amount to MOP 3.89 billion, or 0.9% of GDP.
- Paid training under the Skills Upgrading and Employment Training Scheme, consisting of an allowance of MOP 6,656 for unemployed local residents and of MOP 5,000 for employed local residents enrolled in the occupation-oriented training programme. The estimated cost is MOP 317 million, or 0.07% of GDP.
- Consumption Subsidy Scheme: MOP 8,000 per resident, to be disbursed in two instalments in the form of electronic vouchers of MOP 3,000 per resident from May to July 2020 and MOP 5,000 from August to December 2020. The estimated cost is MOP 5.8 billion, or 1.3% GDP.
- Special healthcare vouchers of MOP 600 per resident, for all permanent residents. The estimated cost is MOP 421 million, or 0.1% of GDP.
- Transfers to taxi drivers leasing a taxi, lessees of wet market stalls, holders of hawker licences or holders of tricycle rickshaw licences (MOP 10,000 per person). The transfers are estimated to amount to MOP 63.4 million or 0.01% of GDP.

¹⁷ IMF, *Policy Responses to COVID-19*. Viewed at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A>.

Other pandemic relief measures

- Water and electricity bill subsidies to businesses for a period of three months, with a ceiling of MOP 3,000 per month for water bills and up to MOP 10,000 per month for electricity bills for each company. Not applicable to public entities or hotels with a rating above 3-stars. The estimated cost is MOP 258 million, or 0.06% of GDP.
- Three-month payment exemption of water and electricity bills for residential households. The estimated cost is MOP 295 million, or 0.07% of GDP.
- Waiver of fees related to local cruises and parking fees for taxis at the Hong Kong-Zhuhai-Macao Bridge car park during designated periods.
- Waiver of radio-operating expenses for traditional land mobile radio systems and trunk radio systems for non-public organizations.
- Waiver of rents for government-owned properties, for three months.
- Acceleration of the vetting processes of the Small and Medium-sized Enterprise (SME) Assistance Programme, the SME Credit Guarantee Scheme, and the SME Credit Assurance Scheme, and adjustment of the repayment measures of various assistance programmes. The estimated cost is MOP 1.75 billion or 0.4% of GDP.
- Extension of the SME Assistance Programme to SMEs established at least a year ago. Eligibility criteria for the Programme were temporarily relaxed. An SME that has been registered for tax purposes at the Financial Services Bureau (DSF) for more than one year is eligible to apply. The application period is from 10 March 2020 to 10 September 2020. The total number of applications received was 1,204, of which 848 were approved; the amount granted is MOP267 million.
- Launching of an interest subsidy scheme on bank loans of up to MOP 2 million for SMEs, for a maximum of three years, with a maximum interest rate subsidy of 4 percentage points. The estimated cost is MOP 316 million or 0.07% of GDP. The application period was from 17 March 2020 to 17 September 2020. The total number of applications received was 4,997, of which 4,424 were approved.
- Launching of an interest subsidy scheme for self-employed individuals. The estimated cost is MOP 110 million, or 0.03% of GDP.
- The "Macao Ready Go" e-platform and the Local Tours programme devised were launched in June 2020 to stimulate local consumption and help tourism-related activities. The budget for the Local Tours programme is of approximately MOP 280 million.
- As part of the overall economic revival measures, online hotel voucher, consumption voucher and air tickets promotion campaigns targeted to Mainland China tourists were launched on e-platforms on 1 September 2020. The total budget for this initiative is of approximately MOP 440 million.

Source: Information provided by the authorities; Chief Executive's Office, *Highlights of Policy Address for the Fiscal Year 2020 of the Macao Special Administrative Region (MSAR)*. Viewed at: https://www.policyaddress.gov.mo/data/policyAddress/2020/en/2020_summary_e.pdf; and IMF, *Policy Responses to COVID-19*. Viewed at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A>.

1.2.3 Monetary and exchange rate policy

1.24. The Monetary Authority of Macao (*Autoridade Monetária de Macau* (AMCM)), created by Decree-Law No. 14/96/M of 11 March 1996, is responsible for: advising and assisting the Chief Executive in formulating and applying monetary, financial, exchange rate and insurance policies; guiding, co-ordinating and overseeing the monetary, financial, foreign exchange and insurance markets, and supervising the actions of those operating within them; monitoring internal monetary stability and the external solvency of the local currency, ensuring its full convertibility; exercising the functions of a central monetary depository, and managing currency reserves and other foreign assets; and monitoring the stability of the financial system.¹⁸

1.25. Overall, the monetary policy stance of Macao, China has remained unchanged since the previous Review in 2013. Macao, China does not conduct an autonomous monetary policy as it adopts a linked exchange rate system while its currency, the Macao pataca (MOP), is pegged to the Hong Kong dollar (HKD) at a rate of MOP 1.03/HKD 1.00. The orientation of the monetary policy is to uphold monetary stability and the free convertibility of the pataca. Supporting the exchange rate peg is the prime monetary policy objective. The main monetary policy tool is the AMCM's base rate (policy interest rate); however, this is mainly a reactive tool, as it is maintained at the level of the

¹⁸ AMCM, *Goals*. Viewed at: <https://www.amcm.gov.mo/en/about-amcm/goals>.

base rate of the Hong Kong Monetary Authority. The linked exchange rate between the pataca and the Hong Kong dollar maintained by the AMCM is considered key to Macao, China's monetary stability, in the context of the pataca's free convertibility because, through it, the pataca is indirectly linked to the US dollar. In the Staff Report of the 2019 IMF Article IV Consultation, it was emphasized that the currency board arrangement with the Hong Kong dollar link has served Macao, China well, and should be maintained; given its small and very open economy, the system provides a crucial nominal anchor, and has kept the real exchange rate broadly in equilibrium. Additionally, the IMF Staff pointed out that sufficient exchange reserves would continue to ensure the creditability of the peg system over the medium term.¹⁹

1.26. During the period under review, money supply growth has proceeded much faster than nominal GDP economic growth, with M2 expanding by around 80%, compared to a 29% nominal GDP expansion. This can be explained by a large increase in financial intermediation during the period, which resulted in a higher money multiplier. In addition, under the currency board arrangement, changes in the money supply are largely determined by the performance of the external sector. In the light of the considerable current account surplus, broad money supply continued its expansion during the period under review. After a period of a more accommodative stance, between 2012 and 2016, monetary policy was tightened between 2016 and 2018, but became more accommodative in 2019, with the AMCM base rate declining from 2.75% at the beginning of the year, to 2.00% at end-2019 (Table 1.5).

Table 1.5 Main monetary, price and exchange rate indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Consumer price index (average % change)	6.1	5.5	6.0	4.6	2.4	1.2	3.0	2.8
Money supply M1 (MOP billion)	47.6	58.9	61.9	61.7	63.7	72.4	80.8	88.2
Money supply M2 (MOP billion)	374.9	441.4	487.5	472.8	532.5	591.5	651.5	687.5
Prime lending rate (end of period)	5.3	5.3	5.3	5.3	5.3	5.3	5.4	5.3
Three-month interbank rate (end of period)	0.4	0.4	0.4	0.4	1.0	1.3	2.4	2.4
Three-month time deposits (end of period)	0.1	0.1	0.1	0.0	0.0	0.1	0.3	0.3
AMCM base rate (end of period)	0.5	0.5	0.5	0.8	1.0	1.8	2.8	2.0

Source: AMCM, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics>.

1.27. In the 2012-15 period, the fast growth of the economy placed upward pressure on price levels, with the composite consumer price index (CPI) reaching 6% or above in 2012 and 2014. After that, prices were in a downward trend, with CPI barely exceeding 1% in 2017, before increasing somewhat in 2018. In 2019, the CPI rose by an average of 2.8%.

1.28. Following the appreciation of the US dollar *vis-à-vis* other major currencies, both the nominal and the real effective exchange rates generally appreciated during the period under review. The trade-weighted effective exchange rate index for the pataca grew 9.2 points between 2012 and 2019, to 106.9, implying that, overall, the exchange rate of the pataca advanced against the currencies of Macao, China's major trading partners.

1.29. Subsequent to the initiation of the COVID-19 pandemic, and due to the peg of the pataca to the Hong Kong dollar, the AMCM lowered the base rate of the discount window on 4 March 2020 and 16 March 2020, by 50 and 64 basis points, respectively, reaching 0.86%. Another reduction followed and, at end-June 2020, Macao, China's base rate stood at 0.5%.²⁰

1.2.4 Balance of payments

1.30. Macao, China posts a structural and substantial surplus in its current account of the balance of payments, which reached USD 17.7 billion in 2019 (Table 1.6), equivalent to 32.9% of GDP (Table 1.7). Although Macao, China runs a systematic merchandise trade deficit (USD 11.6 billion, or 21.5% of GDP, in 2019), it posts a very large services balance surplus. This surplus reached

¹⁹ IMF (2019), *People's Republic of China–Macao Special Administrative Region, 2019 Article IV Consultation Discussions; Press Release; Staff Report; and Statement by the Executive Director for Macao SAR*, IMF Country Report No. 19/123, May 2019. Viewed at: <https://www.imf.org/~media/Files/Publications/CR/2019/1MACEA2019001.ashx>.

²⁰ Under the linked exchange rate system, Macao, China's base rate is set at a par with Hong Kong, China's, which is either 50 basis points above the lower end of the target range for the United States' Federal Funds rate, or the average of the five-day moving averages of the overnight and one-month Hong Kong Interbank Offered Rates, whichever is higher.

USD 38.5 billion in 2019, equivalent to 71.4% of GDP. The predominant component of the current account is exports of travel services, principally comprising receipts from gaming and tourism services. The primary and secondary income balances are traditionally in deficit, accounting mostly for foreign companies' earnings and foreign workers' remittances abroad. The current account surplus is balanced by capital outflows in the financial account. In 2019, international reserves covered 14.7 months of imports of goods and services.

Table 1.6 Balance of payments, 2012-19

(USD billion)

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Current account	16.8	20.5	18.6	11.0	12.3	15.9	18.5	17.7
Credit	41.6	49.7	51.4	40.0	39.2	46.1	52.8	53.7
Debit	24.8	29.2	32.9	29.1	26.9	30.2	34.3	36.0
Goods	-9.0	-10.5	-11.8	-11.6	-10.1	-10.6	-11.3	-11.6
Exports	1.4	1.5	1.8	2.0	1.5	1.7	2.0	1.8
Imports	10.4	12.0	13.6	13.6	11.7	12.3	13.3	13.4
Services	34.0	41.6	41.3	29.4	29.0	34.3	38.6	38.5
Exports	37.8	45.2	45.2	33.4	33.0	38.8	43.6	43.2
Imports	3.8	3.6	3.9	4.0	4.0	4.6	5.0	4.7
Primary income	-6.8	-8.8	-8.8	-4.8	-4.4	-5.6	-6.1	-6.1
Receipts	2.3	2.9	4.4	4.6	4.6	5.3	7.0	8.6
Payments	9.2	11.6	13.1	9.4	9.0	10.8	13.1	14.7
Secondary income	-1.4	-1.8	-2.2	-2.0	-2.1	-2.2	-2.7	-3.1
Receipts	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Payments	1.4	1.9	2.2	2.1	2.2	2.4	2.9	3.3
Capital account	-0.0	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	-0.0
Financial account ^b	18.7	17.7	11.7	6.0	12.4	14.5	12.1	11.9
Financial non-reserve assets (net change)	15.0	18.2	11.6	3.6	11.9	14.3	12.3	10.4
Direct investment ^c	-2.5	-1.5	-1.1	-0.7	-1.9	1.2	-2.5	-4.8
Portfolio investment	2.9	12.4	5.7	12.2	3.0	10.5	-4.4	15.7
Financial derivatives	-0.1	-0.6	-0.3	-0.3	0.3	-0.3	-0.3	-0.6
Other investment	14.7	7.9	7.4	-7.5	10.5	2.9	19.6	0.0
Reserve assets ^d (net change)	3.8	-0.6	0.1	2.3	0.4	0.2	-0.3	1.5
Errors and omissions	2.0	-2.8	-6.8	-5.0	0.1	-1.4	-6.4	-5.8
Overall balance of payments	3.8	-0.6	0.1	2.3	0.4	0.2	-0.3	1.5

a Preliminary.

b "+" represents net increase in financial assets or net reduction in liabilities, indicating an outflow of funds; "-" represents net reduction in financial assets or net increase in liabilities, indicating an inflow of funds.

c Since 2014, direct investment includes external real estate investment of individual Macao, China residents through bank remittances.

d Excluding price and exchange rate changes, as well as other adjustments. Assets from the Fiscal Reserve, including the acquisition or disposal of external financial assets, are recorded under financial non-reserve assets.

Source: DSEC, *Balance of Payments*. Viewed at: <https://www.dsec.gov.mo/en-US/Statistic?id=904>; AMCM, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics>; and information provided by the authorities.

Table 1.7 Main external sector indicators, 2012-20 Q1

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
MOP per USD (period average)	8.0	8.0	8.0	8.0	8.0	8.0	8.1	8.1	8.0
MOP per EUR (period average)	10.3	10.6	10.6	8.9	8.9	9.1	9.5	9.0	8.8
MOP per RMB (period average)	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.1
Nominal trade-weighted effective exchange rate index, period average (% change, + = appreciation)	1.6	-0.1	0.6	7.0	1.5	-0.1	-2.5	3.0	2.4
Current account (USD billion) ^a	16.8	20.5	18.6	11.0	12.3	15.9	18.5	17.7	..
Current account (% of GDP)	39.0	39.7	33.5	24.1	27.1	31.3	33.6	32.9	..
Trade in goods and services (% of GDP)	124.2	121.0	116.6	116.6	110.6	113.2	116.0	117.1	..
Foreign exchange reserve assets (USD billion, end of period)	16.6	16.1	16.4	18.9	19.5	20.2	20.3	22.2	22.1
in months of imports	14.0	12.4	11.3	12.9	14.9	14.3	13.3	14.7	21.4
Gross external debt (% of GDP)	118.6	117.7	133.1	198.9	171.8	171.8	185.7	..	..

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
FDI									
Inward stock (USD million)	19,203	24,512	28,297	29,671	31,369	33,127	36,303	..	..
(% of GDP)	44.6	47.5	51.1	65.4	69.1	65.3	65.9	..	..
Outward stock (USD million)	1,181	3,115	3,837	2,947	1,928	3,060	3,364	..	..
(% of GDP)	2.7	6.0	6.9	6.5	4.2	6.0	6.1	..	..
Inward flows (USD million)	3,897	4,588	3,455	1,038	1,961	438	3,330	..	..
(% of GDP)	9.1	8.9	6.2	2.3	4.3	0.9	6.0	..	..
Outward flows (USD million)	470	1,675	681	-876	-1,003	225	275	..	..
(% of GDP)	1.1	3.2	1.2	-1.9	-2.2	0.4	0.5	..	..

.. Not available.

a Preliminary.

Source: DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>; and AMCM, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics>.

1.31. Although Macao, China has no public external debt, its gross external debt reached 186% of GDP in 2018, on account of the large private external debt (Table 1.7). This reflects the large inflows of private foreign capital, particularly destined to the gaming industry.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

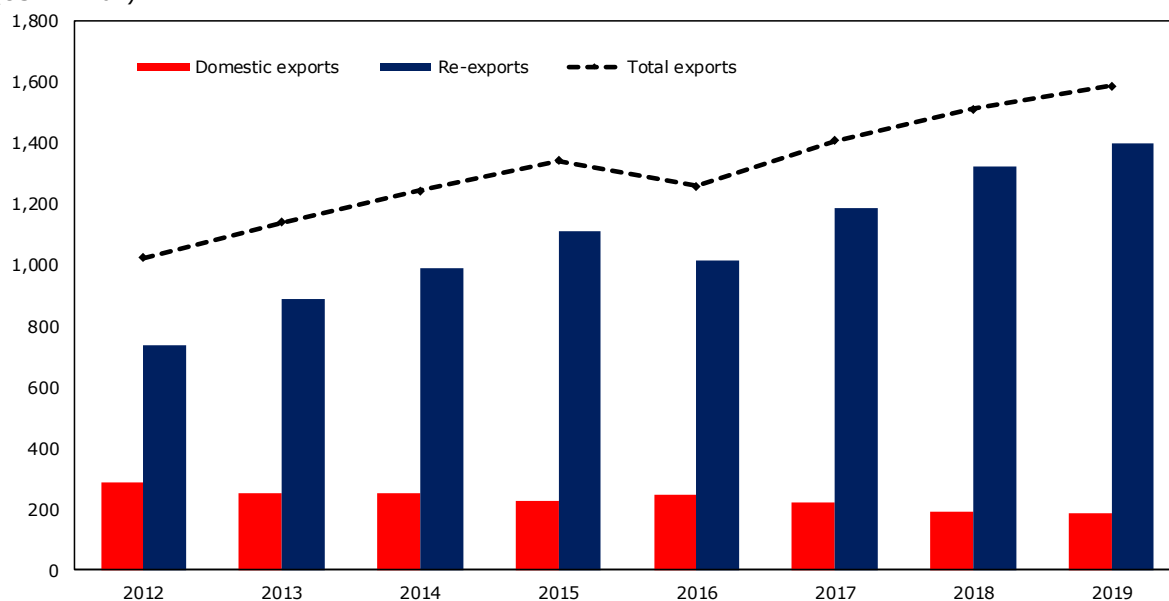
1.3.1.1 Merchandise trade

1.3.1.1.1 Overview

1.32. Macao, China is a very open economy. In 2019, the share of trade (import and export of goods and services) in GDP was 117.1%. During the period, the total amount of trade in goods posted an annual average growth rate of 4%, while those of total exports and imports were 6.7% and 3.7%, respectively. The largest part of Macao, China's merchandise exports are actually re-exports (Chart 1.2). The share of re-exports in total exports increased during the review period. Re-exports accounted for 88.2% of total exports in 2019 (USD 1.3 billion), up from 72% in 2012. This growth has been attributed to increased transit through Macao, China, partly explained by closer economic ties with Hong Kong, China and Mainland China. The authorities noted that this pattern of merchandise trade has been growing along with the expanding economy of Macao, China, and that the growth in re-exports also owes to the free trade policy and the increasing demand for luxury goods in particular.

Chart 1.2 Macao, China's merchandise exports, 2012-19

(USD million)

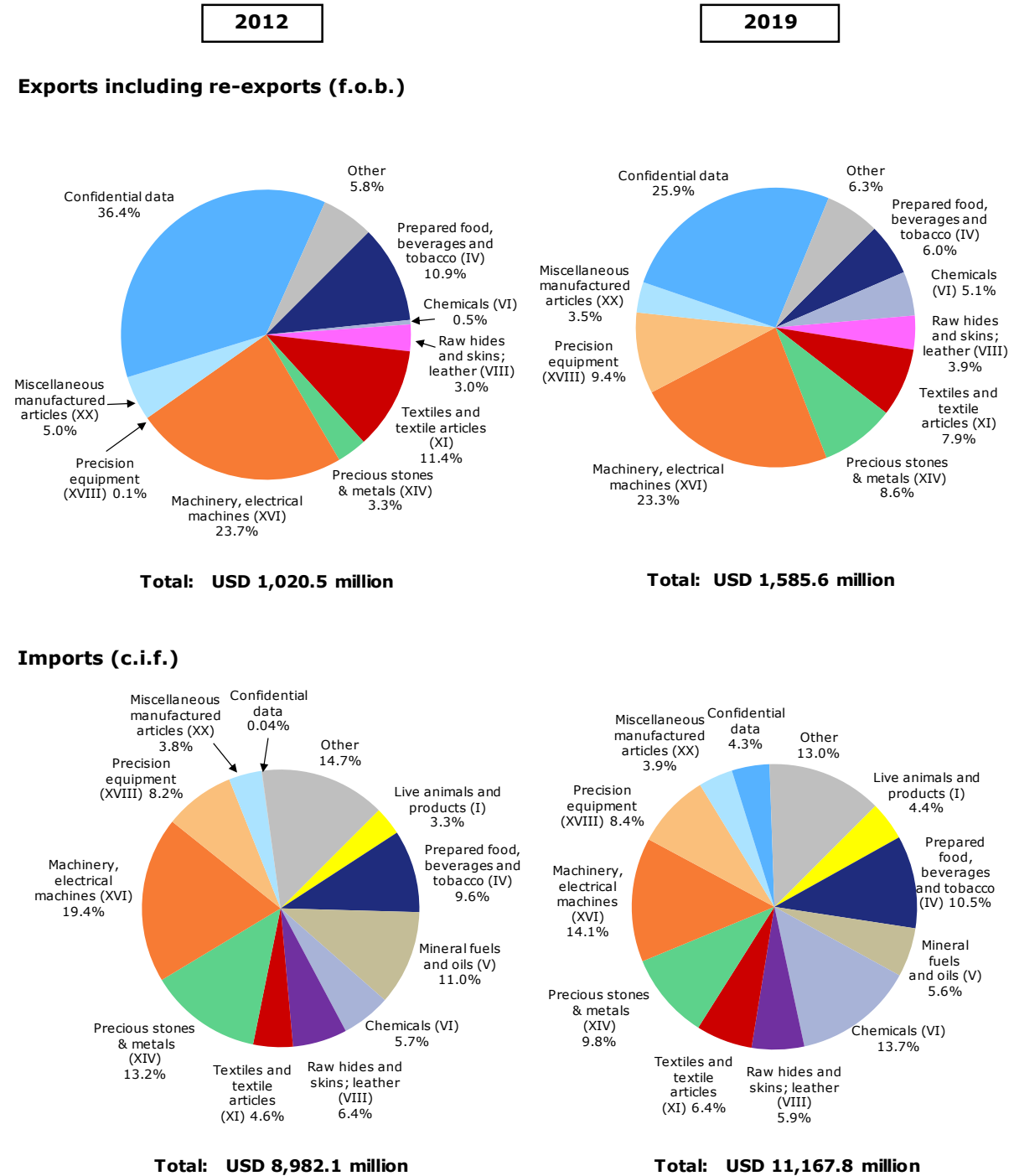


Source: WTO Secretariat's calculations, based on DSEC database.

1.3.1.1.2 Composition of trade

1.33. During the period under review, the merchandise trade deficit remained broadly stable. Total merchandise imports reached USD 11,167.8 million in 2019, up from USD 8,982.1 million in 2012 (Table A1.1 and Chart 1.3). Total merchandise exports increased, to USD 1,585.6 million in 2019, almost 50% above the level in 2012 (Table A1.2 and Chart 1.3).

Chart 1.3 Product composition of merchandise trade, by HS section, 2012 and 2019



Note: Data in brackets refer to the HS section number.

Source: WTO calculations, based on data provided by the authorities; and UNSD Comtrade Database.

1.34. Machinery and electronic equipment continue to be the main export items; they accounted for 23.3% of total exports in 2019 (23.7% in 2012), followed by precision equipment, an export industry that developed recently and which represented 9.4% of total exports in 2019, compared to just 0.1% in 2012. Other export products include precious stones and metals, that accounted for 8.6% of total exports in 2019 (3.3% in 2012), textiles and clothing (7.9% in 2019, 11.4% in 2012), and prepared food, beverages and tobacco (6.0% in 2019, 10.9 % in 2012), and by exports categorized as "other" (6.3% of total exports in 2019), which comprise articles for casinos, electrical and electronic components and parts for electro-technical use, glass and glassware, travel goods, and handbags and related products.

1.35. A particular feature of Macao, China's trade accounts is the large share of exports classified as "confidential", for which detailed information is not provided, as this information is protected by Macao, China's statistical secrecy laws and regulations. Non-disclosed "confidential" statistics accounted for about 25.9% of total exports in 2019, down from 36.4% in 2012 (Chart 1.3). The authorities indicated that, due to the relatively small size of the Macao, China manufacturing sector, many of the export products, especially at the HS eight-digit level, are produced by less than three manufacturers. Hence, those products must be classified as confidential in accordance with Article 8 of Governor's Decision No. 242/GM/99.

1.36. Imports of manufactures accounted for the largest share of merchandise imports during the review period. The composition of imports is relatively diversified: in 2019, the largest components were machinery and electrical machines, with 14.1% of the total, compared with 19.4% in 2012, followed by chemicals (13.7% in 2019); prepared food, beverages and tobacco (10.5%); and precious stones and metals (9.8%) (Chart 1.3 and Table A1.1).

1.3.1.1.3 Direction of merchandise trade

1.37. The major trading partners of Macao, China as regards imports are Mainland China; the European Union; Switzerland; Japan; Hong Kong, China; and the United States (Chart 1.4, Table A1.3). China remained the largest source of merchandise imports, with a 31.3% share in 2019, slightly down from 32.3% in 2012 (Chart 1.4). Imports from Europe continued to expand during the review period; the share of the EU-28 increased from 23.7% in 2012 to 27.3% in 2019, while the share from Switzerland declined slightly from 7.9% to 7.6%. Growth of import values from the European Union and Switzerland continued to reflect a strong local demand for high-end consumer goods, such as watches, clocks, and jewellery, somewhat linked to the hospitality and gaming industries. Imports from Hong Kong, China represented 6.2% of total imports in 2019 (11.4% in 2012), while those from Japan represented 6.7% (5.9% in 2012) and from the United States, 4.7% (5.5% in 2012).

1.38. The main markets for merchandise exports continue to be Hong Kong, China; and China (Chart 1.4, Table A1.4). The share of exports going to Hong Kong, China rose sharply during the review period, consolidating its position as the top destination for Macao, China's merchandise exports; this share reached 60.0% of the total in 2019, up from 39.7% in 2012.

1.39. The share of China as an export destination for Macao, China's merchandise goods declined slightly during the review period, to 8.4% in 2019 from 11.0% in 2012, but the value exported increased. The authorities noted that the implementation of the Agreement on Trade in Goods of the Mainland and Macao Closer Economic Partnership Arrangement (CEPA), signed in December 2018, was a factor supporting trade between Mainland China and Macao, China. Since the CEPA entered into force in January 2019, there has been a strong demand for certificates of origin to be able to export under the benefits of the Agreement (Section 2.3.3.1).

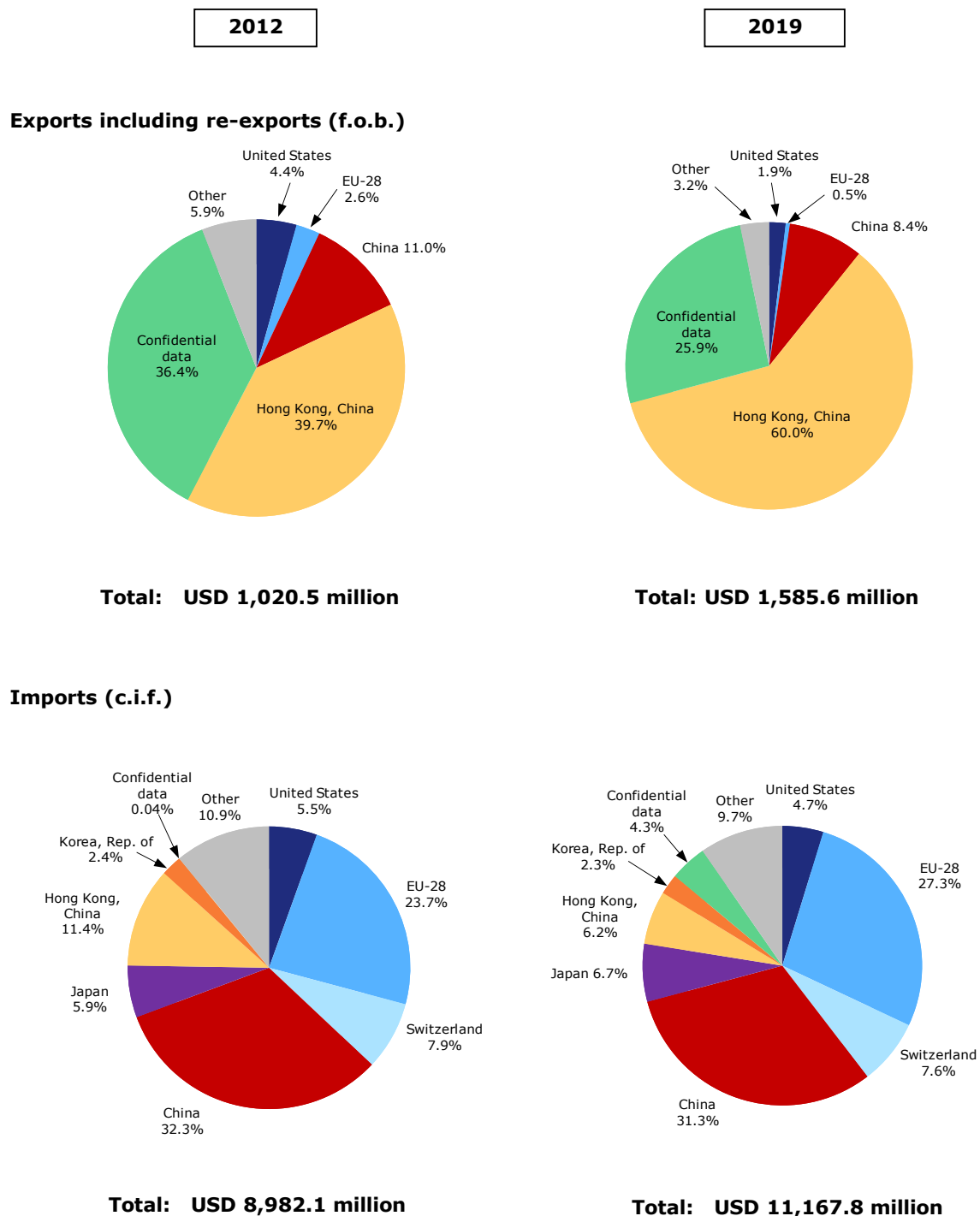
1.3.1.2 Trade in services

1.40. As noted above, Macao, China runs a very large services balance surplus, which in 2019 totalled USD 38.5 billion, and was equivalent to 71.4% of GDP. Services exports reached USD 43.2 billion in 2019, and accounted for 96.0% of Macao, China's total exports of goods and services. Travel exports, which includes gaming exports and tourism, reached USD 39.7 billion, and accounted for 92% of total exports of services (Table 1.8). This amount is some 10.3% higher than the value of exports in 2012 but is well below the USD 43.1 billion peak recorded in 2013. In 2015 and 2016, travel exports suffered a sharp decline, linked with lower gaming revenues; revenue

started increasing again in 2017 and, particularly, 2018, but declined somewhat in 2019. Exports of financial services reached USD 1,445 million in 2019, almost triple their 2012 level. Transportation is the third-largest services export sector with USD 660 million in 2019.

1.41. The largest services imports by Macao, China (USD 4.7 billion in 2019) are travel, other business services, which contains mostly auxiliary services related to the operations of casinos, and financial services.

Chart 1.4 Direction of merchandise trade, 2012 and 2019



Source: WTO calculations, based on data provided by the authorities; and UNSD Comtrade database.

Table 1.8 Services trade, 2012-19

(USD million)

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Net exports	33,995	41,598	41,337	29,416	29,014	34,261	38,613	38,451
Exports	37,805	45,233	45,224	33,384	32,989	38,826	43,645	43,160
Manufacturing services on physical inputs owned by others	2	2	3	1	2	..	..	..
Maintenance and repair services n.i.e.	5	4	6	30	28	..	..	..
Transport	584	620	627	579	589	584	678	660
Travel	36,013	43,133	42,738	30,981	30,492	35,921	40,707	39,714
Insurance and pension services	51	64	92	173	435	468	378	615
Financial services	554	803	1,086	1,093	931	956	1,171	1,445
Telecommunication, computer, and information services	67	57	56	53	47	..	..	..
Other business services	528	549	617	462	462	..	..	..
Personal, cultural, and recreational services	0	0	0	11	4	..	..	..
Imports	3,810	3,635	3,887	3,968	3,975	4,565	5,032	4,709
Manufacturing services on physical inputs owned by others	60	58	36	39	37	..	..	..
Maintenance and repair services n.i.e.	109	121	117	110	108	..	..	..
Transport	384	438	501	478	428	430	478	492
Travel	1,083	1,132	1,213	1,227	1,223	1,288	1,386	1,471
Construction	608	83	0	233	138	..	..	..
Insurance and pension services	136	161	170	168	161	180	203	332
Financial services	371	350	354	441	569	638	642	688
Charges for the use of intellectual property n.i.e.	221	221	204	169	174	..	..	..
Telecommunication, computer, and information services	88	90	101	104	114	..	..	..
Other business services	634	853	1,039	797	815	..	..	..
Personal, cultural, and recreational services	0	0	0	32	37	..	..	..
Government goods and services n.i.e.	116	126	151	170	174	..	..	..

.. Not available.

a Preliminary.

Source: DSEC, *Balance of Payments*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=a927b18a-f495-45af-859a-888a00681867>; AMCM, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics>; and information provided by the authorities.

1.3.2 Trends and patterns in FDI

1.42. During the period under review, Macao, China continued to maintain a positive inflow of foreign direct investment (FDI) (Table 1.9). They continued to be directed mainly to the gaming sector, although, in 2015 and 2017, there were negative inward flows of FDI in gaming. According to the authorities, the negative inward flows of FDI in gaming in 2015 were due to a decline in profits and to the fact that dividends paid exceeded profits made in the year. As for the negative inward flows of FDI registered in 2017 were mainly due to a reduction in the amount of reinvestment, resulting from a distribution of dividends by some gaming enterprises, as well as to the repayment of loans from foreign direct investors and fellow companies abroad.

1.43. Although FDI inflows shrank in 2017, they increased in 2018, reaching USD 3,330 million, on account of the increase in profits retained for investment by foreign direct investors in the gaming sector, and by banks. In 2018, there was a strong FDI inflow into gaming activities, totalling USD 2,357 million. Macao, China is also a net recipient of financial-sector FDI. The British Virgin Islands (a number of enterprises, including gaming companies, are registered there); Hong Kong, China; and Mainland China are traditionally main sources of FDI into Macao, China.

Table 1.9 FDI flows, 2012-18

(USD million)

	2012	2013	2014	2015	2016	2017	2018
Inward flows into Macao, China	3,897	4,588	3,455	1,038	1,961	438	3,330
By industry							
Industrial production	-6	32	4	41	97	17	48
Construction	14	115	123	346	330	25	61
Wholesale and retail	473	169	489	420	225	-169	270
Hotels and restaurants	60	36	74	-87	66	25	23
Transport, storage and communications	-104	51	55	129	70	32	75
Gaming	2,590	3,482	1,557	-872	236	-483	2,357
Banks and other financial activities	501	466	621	975	618	499	748
Insurance	49	124	56	109	449	165	166
Real estate development, leasing and sale activities ^a	n.a.	n.a.	n.a.	n.a.	n.a.	392	-143
Other	320	112	475	-24	-132	-66	-273
By main partners							
Hong Kong, China	1,086	928	751	416	1,218	607	504
British Virgin Islands	1,487	1,450	1,081	336	515	935	1,306
Mainland China	258	365	567	903	640	413	736
Cayman Islands	519	1,672	720	-916	-1,128	-1,194	654
European Union	471	101	20	86	248	-57	0
Portugal	230	65	40	66	36	-3	32
United Kingdom	197	63	-39	-56	186	-34	-29
Bermuda	199	222	-106	-8	31	144	50
Chinese Taipei	-84	5	16	129	67	-88	24
United States	20	-160	385	64	299	-301	26
Outward flows from Macao, China	470	1,675	681	-876	-1,003	225	275
By industry							
Industrial production	-2	2	-13	27	58	49	7
Construction	-5	0	-34	0	12	2	-4
Wholesale and retail	99	-78	37	26	44	-121	-41
Transport, storage and communications	-1	-3	4	1	-1	^c	^c
Gaming	380	1,750	692	-930	-1,281	-365	128
Real estate development, leasing and sale activities ^a	n.a.	n.a.	n.a.	n.a.	n.a.	-8	-91
Other	-2	3	-4	-2	166	669	276
By main partners							
Mainland China	89	-72	5	15	191	521	203
Hong Kong, China	41	-2	36	21	110	210	131
British Virgin Islands	[..]	900	71	-860	3	-59	-124
Other	340	848	570	-53	-1,307	-447	65
Belt and Road countries/territories ^b	n.a.	n.a.	n.a.	n.a.	0	-4	2

n.a. Not applicable.

a In 2017, the coverage of Direct Investment Statistics was extended to "Real Estate Development, Leasing & Sale Activities", and the industrial classification of some enterprises was adjusted; therefore, it is not appropriate to make a direct comparison of data from 2017 onwards with those of previous years.

b Including countries/territories that have signed cooperation agreements with China under the Belt and Road Initiative framework during the reference year.

c Data included in "other".

Note: Converted from pataca to US dollars according to the period-end exchange rate.

Source: DSEC, *Direct investment Statistics*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=32c3aaa0-214e-4130-b2d8-165ca32ea0f2>.

1.44. The stock of total FDI into Macao, China increased from USD 19.2 billion in 2012 to USD 36.3 billion in 2018. Gaming accounted for 45.3% of the FDI stock, followed by the financial sector, with 25.2%, and wholesale and retail, with 11.4% (Table 1.10).

Table 1.10 FDI stock, 2012-18

(USD million and % of total)

	2012	2013	2014	2015	2016	2017	2018	% of total 2012	% of total 2018
Inward stock into Macao, China	19,203	24,512	28,297	29,671	31,369	33,127	36,303	100.0	100.0
By industry									
Industrial production	378	432	450	491	625	646	694	2.0	1.9
Construction	420	542	608	1,149	1,425	1,375	1,424	2.2	3.9
Wholesale and retail	1,909	2,088	2,806	3,280	3,546	3,883	4,140	9.9	11.4
Hotels and restaurants	114	268	334	248	311	154	181	0.6	0.5
Transport, storage and communications	11	656	678	819	946	958	1,029	0.1	2.8
Gaming	10,923	14,322	15,956	15,038	15,039	13,982	16,428	56.9	45.3
Banks and other financial activities	3,468	4,003	4,737	5,818	6,368	7,004	7,625	18.1	21.0
Insurance	383	506	557	656	1,090	1,451	1,527	2.0	4.2
Real estate development, leasing and sale activities ^a	n.a.	n.a.	n.a.	n.a.	n.a.	2,796	2,648	n.a.	7.3
Other	1,597	1,695	2,171	2,170	2,019	878	605	8.3	1.7
By main partners									
Hong Kong, China	4,868	5,890	6,770	7,444	8,592	9,763	10,418	25.4	28.7
British Virgin Islands	3,779	5,476	6,573	6,888	7,390	8,735	10,016	19.7	27.6
Mainland China	2,313	2,665	3,294	4,326	4,901	5,825	6,362	12.0	17.5
Cayman Islands	6,630	8,260	9,053	8,126	6,807	5,243	5,711	34.5	15.7
European Union, of which:	1,492	1,456	1,551	1,649	1,881	1,837	1,931	7.8	5.3
Portugal	867	922	1,026	1,087	1,133	1,105	1,134	4.5	3.1
United Kingdom	480	433	395	342	504	502	568	2.5	1.6
Bermuda	426	632	530	520	547	710	759	2.2	2.1
Chinese Taipei	-379	221	241	370	495	403	443	n.a.	1.2
United States	70	-88	291	343	676	370	395	0.4	1.1
Outward stock from Macao, China	1,181	3,115	3,837	2,947	1,928	3,060	3,364	100.0	100.0
By industry									
Industrial production	18	25	70	105	163	212	202	1.5	6.0
Construction	38	38	4	5	16	19	17	3.2	0.5
Wholesale and retail	319	498	422	424	458	496	463	27.0	13.8
Transport, storage and communications	8	6	10	12	11	c	c	0.7	c
Gaming	781	2,528	3,219	2,292	1,008	636	762	66.1	22.7
Real estate development, leasing and sale activities ^a	n.a.	n.a.	n.a.	n.a.	n.a.	556	510	n.a.	15.2
Other	17	20	111	110	273	1,141	1,409	1.4	41.9
By main partners									
Mainland China	387	576	555	571	747	2,080	2,313	32.8	68.8
Hong Kong, China	598	595	698	703	812	1,063	1,228	50.6	36.5
British Virgin Islands	..	702	772	-87	-83	-142	-257	n.a.	-7.6
Other	196	1,242	1,812	1,759	453	60	80	16.6	2.4
Memo: Belt and Road countries/territories ^b	n.a.	n.a.	n.a.	n.a.	0	15	3	n.a.	0.1

.. Not available.

n.a. Not applicable.

a In 2017, the coverage of Direct Investment Statistics was extended to "Real Estate Development, Leasing & Sale Activities", and the industrial classification of some enterprises was adjusted; therefore, it is not appropriate to make a direct comparison of data from 2017 onwards with those of previous years.

b Including countries/territories that have signed cooperation agreements with China under the Belt and Road Initiative framework during the reference year.

c Data included in "other".

Source: DSEC, *Direct Investment Statistics*. Viewed at:

<https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=32c3aaa0-214e-4130-b2d8-165ca32ea0f2>.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. Macao, China is governed by the Basic Law, which serves as its constitutional document. Under the principle of "One Country, Two Systems", the Basic Law provides for independent executive, legislative and judicial powers in Macao, China, and gives it autonomy in most areas of government. Accordingly, Macao, China maintains its status as a free port and a separate customs territory, applies an independent taxation system, and has its own legal currency. Since the previous Review in 2013, there has been no significant change to the constitutional framework.

2.2. The executive branch of the Government comprises the Chief Executive and the Executive Council. The Chief Executive is the head of Government, and has the power to make and execute policies, and to initiate legislation. His/her term of office is five years and is limited to two consecutive terms. The Chief Executive appoints the Executive Council, comprising of between 7 and 11 members, to assist in policy-making.¹ The Government is responsible for formulating and implementing policies; conducting administrative affairs and external relations, as authorized under the Basic Law; drawing up and introducing budgets and final accounts; and drafting bills and administrative regulations.²

2.3. Legislative power is vested in the 33-member Legislative Assembly. Its main functions include: enacting laws; examining and approving budgetary matters; deciding on taxation issues; monitoring the Government's performance; and debating issues of public interest.³ Laws passed by the Assembly take effect after they have been signed and promulgated by the Chief Executive.

2.4. The judiciary power comprises three layers: Courts of First Instance (the Lower Court and the Administrative Court), a Court of Second Instance, and a Court of Final Appeal. The Lower Court can form specialized tribunals, as required. The Administrative Court has jurisdiction over administrative, tax, customs and excise matters. Court judges are selected by an independent commission, and appointed by the Chief Executive.

2.5. The legal system is based on civil law. The Basic Law is at the top of the hierarchy, followed by international conventional law, and ordinary legislation (laws and decree-laws). The Chief Executive may issue administrative regulations, orders, and executive orders and decisions in accordance with laws or decree-laws. International law and applicable international treaties to which Macao, China is a signatory are directly integrated into the legal system, i.e. they do not need to be incorporated into domestic law in order to have legal effect. The application to Macao, China of international agreements to which China is, or becomes, a party is decided by the Central People's Government of China, in accordance with the circumstances and needs of Macao, China, after seeking the views of the local government.⁴

2.2 Trade Policy Formulation and Objectives

2.6. As stipulated in its Basic Law, Macao, China has the status of a free port, pursues a policy of free trade, and safeguards the free movement of goods, intangible assets, and capital.⁵ Moreover, as a separate customs territory, it may maintain relations, and conclude and implement agreements, with foreign states and regions in fields such as economics, trade, financial and monetary matters, shipping, communications, tourism, culture, science and technology, and sports. It may also participate in relevant international organizations under the name "Macao, China"; hence, it has a separate status in 10 international organizations, including the WTO, the World Customs Organization, and the UN Economic and Social Commission in Asia and the Pacific.⁶

2.7. Responsibility for trade policy formulation rests with the Secretary for Economy and Finance (*Secretário para a Economia e Finanças* (SEF)), who is nominated by the Chief Executive and

¹ Articles 56 and 57 of the Basic Law.

² Article 64 of the Basic Law.

³ Article 71 of the Basic Law.

⁴ Article 138 of the Basic Law.

⁵ Articles 110 and 111 of the Basic Law.

⁶ Macao, China is not a member of international financial institutions such as the IMF and the Asian Development Bank.

appointed by the Central People's Government of China. Several government agencies assist the Office of the SEF in formulating and implementing trade-related policies, including, but not limited to:

- the Macao Economic Bureau (*Direcção dos Serviços de Economia* (DSE));
- the Financial Services Bureau (*Direcção dos Serviços de Finanças* (DSF));
- the Gaming Inspection and Coordination Bureau (*Direcção de Inspeção e Coordenação de Jogos* (DICJ));
- the Statistics and Census Bureau (*Direcção dos Serviços de Estatística e Censos* (DSEC));
- the Consumer Council (*Conselho de Consumidores* (CC));
- the Macao Trade and Investment Promotion Institute (*Instituto de Promoção do Comércio e do Investimento de Macau* (IPIM)); and
- the Monetary Authority of Macau (*Autoridade Monetária de Macau* (AMCM)).

2.8. The DSE is the main body responsible for assisting the Government in the study, formulation and implementation of economic policies, including with regard to trade, intellectual property, and other areas of the economy. Its main duties include: formulating and implementing measures conducive to the moderate diversification of the economy and the promotion of industrial and commercial development; administering foreign trade regulations and issuing the required licences and certificates of origin; planning and coordinating the participation of Macao, China in international economic organizations and fora; assisting in making and implementing intellectual property policies; issuing licences for industrial establishments and other businesses; enforcing consumption tax regulations; and promoting and maintaining a fair business environment.⁷ In addition, as per Administrative Regulation No. 25/2017, the DSE has been mandated to assist in researching trends, strategies and factors conducive to economic development and industrial activity, and to submit proposals thereon.

2.9. The private sector, through bodies such as trade and industry associations, and representatives of the academic community and civil society may provide comments on aspects of trade policy to the Government through various channels, including the legislature, the media, editorials, meetings with government officials, and public consultations. The Chief Executive Decision on the Standard Guidelines on Public Policy Consultations, issued in 2011, sets the procedures and time-frames for interested parties to provide comments on proposed new laws and policies, or their amendments.⁸ As per the Guidelines, the authority conducting public consultations identifies, based on the characteristics of the policy concerned, the groups to be consulted, which normally comprise the general public, organizations, and advisory bodies.

2.10. As a small, trade-dependent economy, Macao, China remains committed to open, market-driven economic and trade policies. By virtue of its free-port status, it applies a zero-rated tariff on all imports, and only imposes import/export prohibitions or restrictions on health, safety, security or environmental protection grounds, or to comply with its international commitments.

2.11. The economic policy objectives of Macao, China are established in its first Five-Year Development Plan, currently covering the period 2016-20. The Plan's central goal is to achieve the vision of Macao, China as "One Centre, One Platform", i.e. to transform it into a world-class tourism and leisure city, which is safe, healthy, smart, culturally enriched, and under good governance ("One Centre"), and to raise its status and influence in regional and international exchanges ("One Platform").⁹

⁷ DSE, *Mission and Duties*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pq_dse_md?refresh=true.

⁸ Chief Executive Decision No. 224/2011 of 15 August 2011.

⁹ Government of Macao SAR, *The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

2.12. One of the main economic policies enshrined in the Plan is to promote "moderate economic diversification". Since the tourism and gaming industries are already the main pillars of the economy, the objective is to guide their development away from an excessive reliance on high-end gaming and into more sustainable tourism activities. To this end, it is envisaged to regulate the scale of the gaming sector, to encourage gaming companies to explore non-gaming businesses, and to introduce more elements of leisure tourism into the gaming business.¹⁰ At the same time, efforts are geared towards assisting the development of gaming-related industries, such as hotels, catering and retail. Special emphasis is placed on fostering the development of emerging industries, including the meetings, incentives, conventions and exhibitions industry (MICE industry), cultural and creative industries, traditional Chinese medicine (Section 4), and specialized or feature financial services.

2.13. Other policies to support economic development envisaged in the Plan are: to improve the business environment and enhance support for SMEs; to foster economic and trade cooperation between Mainland China, the Portuguese-speaking countries (PSCs)¹¹ and Macao, China; to intensify participation in the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area Development Plan, and to deepen regional economic cooperation.

2.14. The main legislation on external trade remains the Foreign Trade Law (Law No. 7/2003), which establishes the general principles of foreign trade and regulates the procedures for the importation, exportation and transit of goods to, from, and through Macao, China. The Law was amended in June 2016 through Law No. 3/2016. In line with efforts to promote economic diversification, the amendment seeks to simplify customs clearance for operations covered under the Temporary Admission of Goods (ATA) Convention (using the ATA Carnet), thus facilitating the temporary admission of goods and equipment used in the MICE industry, and to increase trade with neighbouring regions. In addition, the amendment introduced a transit licence regime, and simplified the appeals procedure against administrative and customs-related acts (Section 3.1.1). Table 2.1 shows some of the main trade- and investment-related legislation issued, amended or revised since the last Review.

Table 2.1 Main trade-related legislation issued/amended/revised since 2013

Date of publication	Legislation	Content
External trade		
4 July 2016	Law No. 3/2016 (amendment to Foreign Trade Law No. 7/2003)	<ul style="list-style-type: none"> • Incorporates the ATA carnet as an integral part of the legal regime established by the Foreign Trade Law; • Introduces the transit licence as the legal document for goods subject to transit control in Macao, China; • Removes export licensing requirements for exports of textiles and garments destined for Canada, the European Union, Norway, Turkey, and the United States.
18 July 2016	Administrative Regulation No. 19/2016 (amendment to Administrative Regulation on Foreign Trade Activities No. 28/2003)	<ul style="list-style-type: none"> • The Transport Bureau replaced the Macao Economic Bureau as the regulatory body issuing import licences for vehicles; • Introduces expeditious clearance procedures for goods subject to import/export declarations, allowing traders to complete clearance before submitting declarations by electronic means.
18 July 2016	Administrative Regulation No. 20/2016 (amendment to Administrative Regulation on Rules of Origin No. 29/2003)	<ul style="list-style-type: none"> • Waives charges on the issue of Certificates of Origin (COs); • Allows electronic submission of CO applications; • The export licence requirement is replaced by an export declaration in the application for CO for textile and clothing products.
28 December 2016	Chief Executive Decision No. 487/2016 (replaced the Chief Executive Decision No. 255/2016)	Contains 3 annexes setting the products subject to licensing: <ul style="list-style-type: none"> • Annex I – products for which the licensing requirement is waived only for individual daily consumption purposes; • Annex II, Table A – products subject to export licence; • Annex II, Table B – products subject to import licence (petroleum products added); • Annex III – products subject to SPS measures.
28 October 2016	Chief Executive Decision No. 67/2016	6 th edition of the Nomenclature for the External Trade of Macao/Harmonised System.

¹⁰ A specific target is for the gaming industry to increase the proportion of its revenue derived from non-gaming activities from 6.6% in 2014 to 9.0% in 2020.

¹¹ The goal is to increase by 10% total trade with PSCs between 2015 and 2020.

Date of publication	Legislation	Content
Import prohibitions, restrictions, and licensing		
12 December 2016	Chief Executive Decision No. 410/2016	Bans all imports and transshipment of hazardous wastes, as listed in Annex I of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.
22 May 2017	Law No. 2/2017, CITES enforcement law (replaced Decree-law No. 45/86/M)	<ul style="list-style-type: none"> Revises fines and penalties for violation of the CITES law; Establishes a compulsory registration system for four types of CITES stakeholders; Designates the Municipal Affairs Bureau as the CITES scientific authority in Macao, China.
5 June 2017	Administrative Regulation No. 19/2017 (supplementary regulation to CITES enforcement law)	Outlines import and export procedures, and the compulsory registration procedures for: (i) CITES traders; (ii) captive breeders and nurserymen of CITES specimens; (iii) taxidermists of CITES Annex I specimens; and (iv) scientific institutions.
13 March 2017	Chief Executive Decision No. 51/2017 (regulating the import, export and transit of hazardous goods)	This Decision mandates importers to indicate the handling details of the hazardous goods annexed to this Decision, including transportation means, routes, and storage location, prior to import.
8 April 2014 28 December 2016 27 May 2019	Law No. 4/2014, Law No. 10/2016, Law No. 10/2019 (all amendments to Law No. 17/2009)	"The Prohibition of Illicit Production, Supply and Consumption of Narcotic Drugs and Psychotropic Substances" was revised, as a result of the revision of the table of drugs and substances listed in the UN Convention against Illicit Traffic in Narcotic Drug and Psychotropic Substances, 1988.
1 April 2019	Chief Executive Decision No. 45/2019 (replaced Government Decision No. 219/98/M)	Prohibits the import of used motor vehicles, and used engines and chassis of motor vehicles for public health and environmental reasons, with the exception of six circumstances as listed in the Decision.
8 April 2019	Chief Executive Decision No. 48/2019 (prohibition of import and transit trade of asbestos)	Bans the import of asbestos, for public health and environmental reasons, with the exception of seven types of products for laboratory testing and research, and seven types of products containing asbestos for which no substitutes exist.
20 May 2019	Chief Executive Decision No. 81/2019 (revised the emission level as annexed to the existing Administrative Regulation No. 1/2012)	Prohibits the import of brand-new automobile vehicles and engines whose emissions do not meet the EURO VI level.
19 August 2019	Law No. 15/2019 on Implementation of the Kimberley Process Certification Scheme (KPCS) for the International Trade in Rough Diamonds	Sets out the legal requirements and rules governing international trade in rough diamonds, in compliance with the KPCS and domestic laws.
9 September 2019	Administrative Regulation No. 15/2019 (Supplementary Regulation to Law No. 15/2019 (above))	Establishes the procedures under which licences and Kimberley Process certificates are issued, documents are submitted, and on the customs inspection process.
21 October 2019	Chief Executive Decision No. 164/2019	Bans the import and transshipment of chemicals listed in the Stockholm Convention on Persistent Organic Pollutants.

Source: Information provided by the authorities.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.15. Macao, China is an original Member of the WTO.¹² It is committed to the multilateral trading system, and upholds the basic WTO principles of non-discrimination, predictability and transparency,

¹² The Republic of Portugal, on behalf of Macao, China, ratified the Marrakesh Agreement Establishing the World Trade Organization and the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations through the Order of the President of the Republic of Portugal of 7 December 1994, and ratified the Fifth Protocol to the General Agreement on Trade in Services through the Order of the President of the Republic of Portugal of 8 November 1999. The People's Republic of China notified the Secretary-General of the United Nations, on 13 December 1999, that the above Agreements would continue to apply to the Macao Special Administrative Region from 20 December 1999.

which it considers important elements for a stable trading system. The authorities indicated that Macao, China supports the necessary reform of the WTO so as to overcome its current crisis, enhance its authority and efficacy, and increase its relevance in global economic governance. In their view, the reform should be based on three basic principles: first, it should preserve such core values of the multilateral trading system as non-discrimination and openness; second, it should safeguard the development interests of developing Members; and third, it should follow the practice of decision-making by consensus. As regards its transparency obligations, Macao, China has regularly submitted up-to-date notifications concerning changes to its legislation and trade policies covered under the WTO Agreements (Table 2.2).

Table 2.2 Selected notifications under the WTO agreements, 01/01/2014-15/06/2020

Agreement	Description	Frequency	WTO document (most recent, if submitted regularly)
Agreement on Agriculture			
Articles 10 and 18.2 - ES:1	Export subsidies	Annual	G/AG/N/MAC/44, 03/05/2019
Article 18.2 - DS:1	Domestic support	Annual	G/AG/N/MAC/45, 03/05/2019
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7, Annex B	Regulations	<i>Ad hoc</i>	G/SPS/N/MAC/12, 13/10/2014 to G/SPS/N/MAC/25, 06/05/2020
Agreement on Import Licensing Procedures			
Article 1.4(a) and 8.2(b)	Publication and legislation	Once; <i>ad hoc</i> for changes made thereafter	G/LIC/N/1/MAC/8, 21/08/2018
Article 7.3	Replies to the questionnaire	Annual	G/LIC/N/3/MAC/22, 27/05/2019; G/LIC/N/3/MAC/22/Corr.1, 17/10/2019
Agreement on Rules of Origin			
Paragraph 4 of Annex II	Preferential rules of origin	<i>Ad hoc</i>	G/RO/N/170, 24/05/2018; G/RO/N/187, 20/09/2019
Agreement on Subsidies and Countervailing Measures			
Article 25.1, GATT 1994 Article XVI:1	Subsidies	Biennial (new and full notification)	G/SCM/N/343/MAC, 22/05/2019
Agreement on Technical Barriers to Trade			
Article 2.9	Technical regulations	<i>Ad hoc</i>	G/TBT/N/MAC/4; G/TBT/N/MAC/5; G/TBT/N/MAC/7 to G/TBT/N/MAC/14, 19/09/2019
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures	<i>Ad hoc</i>	G/TBT/N/MAC/3; G/TBT/N/MAC/6, 19/09/2019; G/TBT/N/MAC/6/Corr.1, 09/12/2019
Agreement on Trade Facilitation (WT/L/911, replaced by WT/L/931)			
Articles 1.4, 10.4.3, 10.6.2, and 12.2.2	Contact and information points	<i>Ad hoc</i>	G/TFA/N/MAC/2, 04/06/2018
Article 15	Category A commitments	<i>Ad hoc</i>	WT/PCTF/N/MAC/1, 20/11/2014
Articles 15 and 16	Category A, B, and C commitments	<i>Ad hoc</i>	G/TFA/N/MAC/1, 20/11/2017; G/TFA/N/MAC/1/Add.1, 04/06/2018; G/TFA/N/MAC/1/Add.2, 26/05/2020
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 63.2	Legislation (amendments)	<i>Ad hoc</i>	IP/N/1/MAC/2, 02/04/2014
Article 67	Contact points for technical cooperation	<i>Ad hoc</i>	IP/N/7/MAC/2, 11/01/2018
Decision on Notification Procedures for Quantitative Restrictions			
G/L/59/Rev.1	Quantitative restrictions currently in force	Biennial (complete notification)	G/MA/QR/N/MAC/4, 24/10/2018
GATT 1994			
Article XVII:4(a)	State-trading activities	Annual	G/STR/N/17/MAC, 23/03/2018
Article XXIV:7(a)	RTA – Hong Kong, China and Macao, China CEPA	<i>Ad hoc</i>	WT/REG390/N/1, S/C/N/898, 19/12/2017
Article XXVIII:5	Modification of schedules	<i>Ad hoc</i>	G/MA/362, 06/02/2018

Agreement	Description	Frequency	WTO document (most recent, if submitted regularly)
General Agreement on Trade in Services			
Article III:3	Changes to laws and regulations	At least annually	S/C/N/946, 07/06/2019
Article III:4 and/or IV:2	Contact and inquiry points	Once	S/ENQ/78/Rev.20, 25/03/2020
Article V:7(a)	Changes to the implementation of the RTA – China and Macao, China	<i>Ad hoc</i>	S/C/N/265/Add.11, 20/03/2020

Source: WTO Secretariat.

2.16. Macao, China participated in the post-Uruguay Round negotiations on financial services (Fifth Protocol to the GATS) and increased its specific commitments in this sector¹³, but did not take part in the extended negotiations on telecommunication services (Fourth Protocol to the GATS). It is not a signatory or an observer to the Plurilateral Government Procurement Agreement.

2.17. Under the Information Technology Agreement (ITA), Macao, China bound at zero-rate tariffs all IT products covered by the Agreement in 1997, and subsequently participated in the expansion of the product coverage of the ITA.¹⁴ In addition, it bound tariffs at zero on all products covered by the Pharmaceutical Agreement, including those resulting from the expansion of the Agreement's coverage in 2011.

2.18. Macao, China ratified the Protocol concerning the Trade Facilitation Agreement (TFA) on 11 April 2016. It designated all the provisions of the Agreement under Category A (i.e. for immediate implementation upon entry into force of the TFA), except the provision on single window, which was designated under Category B, to be implemented on 31 December 2019 at the latest.¹⁵ The authorities indicated that implementation of the single window started ahead of schedule (Section 3.1.1).

2.19. Macao, China was among the first WTO Members to accept the Protocol Amending the TRIPS Agreement (16 June 2009), which came into force in 2017. It ratified the Protocol in August 2017 (Chief Executive Note No. 45/2017).

2.20. In the context of the Eleventh WTO Ministerial Conference (Buenos Aires, 10-13 December 2017), Macao, China, subscribed to the Joint Ministerial Statement on Investment Facilitation for Development¹⁶, and participated in the informal dialogue on this subject.

2.21. Macao, China grants at least MFN treatment to all its trading partners.

2.22. Macao, China has not been involved in any WTO dispute settlement cases, either as a complainant, respondent or third party. On 18 September 2020, it notified the Dispute Settlement Body that it endorsed document JOB/DSB/1/Add.12 and joined the Multi-Party Interim Appeal Arbitration Arrangement pursuant to Article 25 of the Dispute Settlement Understanding.¹⁷

2.3.2 Regional preferential agreements

2.23. In the framework of the Asia Pacific Economic Co-operation (APEC), Macao, China has been given "guest economy" status in several working groups since 2001. As such, it may be invited by the Chair to respond to questions and discussions in meetings but may not take part in the decision-making process. Currently Macao, China participates in the following working groups: Policy Partnership on Science, Technology and Innovation; Small and Medium Enterprises; Transportation,

¹³ WTO document GATS/SC/50/Suppl.1, 26 February 1998.

¹⁴ Macao, China's new schedule, which was approved by the Participants to the ITA Expansion, was circulated in WTO document G/MA/W/117/Add.25, 14 December 2016. Moreover, Macao, China submitted its schedule in WTO document G/MA/TAR/RS/461, 8 June 2017.

¹⁵ WTO documents G/TFA/N/MAC/1, 20 November 2017; and G/TFA/N/MAC/1/Add.1, 4 June 2018.

¹⁶ WTO document WT/MIN(17)/59, 13 December 2017.

¹⁷ WTO document JOB/DSB/1/Add.12/Suppl.6, 22 September 2020.

and Tourism. In the first three groups, Macao, China's guest economy status was renewed in 2018 until 2021, and in the Tourism Working Group, it was renewed in 2019 for one year.

2.24. Macao, China does not participate in any other regional trade arrangements.

2.3.3 Bilateral agreements

2.25. Since the last Review, Macao, China has been engaged in the continuous updating and implementation of the Closer Economic Partnership Arrangement (CEPA) with Mainland China. In addition, it concluded a free trade agreement with Hong Kong, China (Section 2.3.3.2).

2.3.3.1 Closer Economic Partnership Arrangement with Mainland China (CEPA)

2.26. Macao, China and Mainland China concluded the CEPA in October 2003, with the objective of promoting joint economic prosperity and development, and strengthening trade and investment cooperation between the two sides.¹⁸ The CEPA abides by the "One Country, Two Systems" principle, and is to be consistent with WTO rules, among other principles stated in the Arrangement.¹⁹ The CEPA provides for the progressive liberalization of bilateral trade in goods and services, and for the promotion of trade and investment facilitation.

2.27. Since the implementation of the CEPA in 2004, ten supplements and five agreements have been concluded under its framework.²⁰ Table 2.3 lists the subsidiary agreements signed during the period under review.

Table 2.3 CEPA subsidiary agreements signed, 2013-19

Agreement	Date of signature /implementation	Coverage
Agreement between the Mainland and Macao on Achieving Basic Liberalization of Trade in Services in Guangdong (Guangdong Agreement)	18 December 2014/ 1 March 2015	Consolidated service liberalization measures found in previous agreements, and granted Macao, China market access to a majority of service sectors in the Guangdong Province. It served as the basis for the subsequent liberalization of trade in services between Mainland China and Macao, China.
Agreement on Trade in Services	28 November 2015/ 1 June 2016	Expanded the scope of the Guangdong Agreement from the Guangdong Province to the entirety of Mainland China, and improved market access preferences.
Investment Agreement	18 December 2017/ 1 January 2018	Granted market access to non-service sectors, and introduced investment protection and promotion measures.
Agreement on Economic and Technical Cooperation	18 December 2017/ 18 December 2017	Consolidated and enhanced economic and technical cooperation measures (including trade facilitation) found in previous agreements.
Agreement on Trade in Goods	12 December 2018/ 1 January 2019	Consolidated and improved preferences on trade in goods set in previous agreements.

Source: Information provided by the authorities.

2.28. Under the CEPA provisions on trade in goods, Macao, China agreed to maintain a zero tariff on all imported goods of Mainland origin. For its part, China agreed to apply, from 1 January 2006, zero tariffs on imported goods originating in Macao, China, provided that rules of origin are established for those products and that they are accompanied by a CEPA certificate of origin.²¹ Goods are treated as originating in Macao, China if they are wholly produced in its territory or have undergone substantial transformation. The criteria for determining substantial transformation may include manufacturing or processing operations, a change in tariff heading, value-added content, other criteria, or mixed criteria. Rules of origin have been progressively developed since the inception of the Agreement. According to the CEPA, neither party shall impose non-tariff measures inconsistent with WTO provisions on goods imported from, and originating in, the other party's territory; and China shall not apply tariff-rate quotas on goods originating in Macao, China. The parties undertook not to apply anti-dumping or countervailing measures on imported goods originating in the other

¹⁸ The CEPA was notified to the WTO in document WT/REG163/N/1, 12 January 2004.

¹⁹ Article 2 of the CEPA Arrangement, WTO document WT/REG163/1, 4 February 2004.

²⁰ All changes were notified to the WTO. See WTO documents WT/REG163/1/Add.1-3, and WT/REG163/N/1/Add. 1-11, several dates.

²¹ At the time of inception of the CEPA in 2003, rules of origin were established for only 273 products.

party's territory. Bilateral safeguard measures, in the form of a temporary suspension of CEPA concessions, may be adopted, after giving written notice to the party affected.²²

2.29. On 12 December 2018, Macao, China and Mainland China signed the Agreement on Trade in Goods under the CEPA framework. The Agreement, which came into effect on 1 January 2019, incorporates the provisions on trade in goods in the CEPA and its 10 supplements. It effectively provides for the full liberalization of Mainland China's market for goods originating in Macao, China by establishing rules of origin for over 8,000 tariff lines, essentially covering all of China's Tariff. At the time of the previous Review, rules of origin had been developed for only 1,260 tariff lines. The Agreement also contains provisions to facilitate customs clearance in bilateral trade. In addition, it has a dedicated chapter on trade in the Guangdong-Hong Kong-Macao Greater Bay Area, which establishes cooperation measures aimed at facilitating trade within the area, including with regard to customs clearance procedures, joint inspections, the development of single window connectivity, and exchange of electronic cargo data.²³

2.30. From the inception of the CEPA until end-May 2020, the Macao Economic Bureau (DSE) received 6,475 applications for CEPA certificates of origin, and issued 6,349 such certificates, of which 5,627 were used to export goods to China, including: cement, textiles and clothing products, yarn, plastic bags, recordable compact discs, printing ink, food and beverages, refined copper foil, electric conductors, chemicals, footwear, recycled plastics, cosmetic products, monocarboxylic fatty acids, and fibreglass cloth. In that period, merchandise exports to China totalled MOP 1,076 million, representing a tariff saving of MOP 73 million. In 2019, 33% of the value of domestic exports to China received zero-tariff treatment under the CEPA.²⁴

2.31. As regards trade in services, under the CEPA, both parties agreed to progressively reduce or eliminate existing restrictive and discriminatory measures on each other's services and services suppliers in the sectors covered by the Agreement (Annex 4 to the CEPA).²⁵ Also, Macao, China agreed not to impose new discriminatory measures on China's services and service suppliers in the covered sectors, and China committed to ensuring preferential treatment for services and services suppliers from Macao, China by removing or eliminating restrictions in the services sectors stipulated in Annex 4.

2.32. In order to qualify as domestic service suppliers, natural persons must be permanent residents of Macao, China²⁶, and juridical persons must be constituted or otherwise organized under the relevant laws of the territory. Foreign companies that are not registered and do not have a substantial business operation in Macao, China cannot qualify. To qualify, foreign companies must have more than 50% of their capital from Macao, China, and any acquired or merged company in the territory must have been engaged in a substantial business operation for at least one year following its merger or acquisition. Generally, Macao, China services suppliers must have engaged in substantive business operations in the territory for at least three years, except for suppliers providing construction and engineering services, or banking, insurance and other financial services, for which such requirement is a minimum of five years. In the case of maritime transport services providers, 50% or more of the ships (in tonnage terms) owned by Macao, China service providers must be registered in Macao, China.

2.33. The coverage of services sectors for which domestic services suppliers may qualify for preferential treatment has been progressively expanded through supplements to the CEPA. At the time of the previous Review, 48 services sectors and subsectors were covered under the CEPA. In December 2014, the coverage was expanded with the signature of the Agreement between the Mainland and Macao on Achieving Basic Liberalization of Trade in Services in Guangdong. Moreover, on 28 November 2015, Macao, China and the Mainland signed the CEPA Agreement on Trade in Services, which was officially implemented on 1 June 2016. This Agreement built upon the previous CEPA supplements, and extended the liberalization measures in the Guangdong Agreement to the

²² Under the CEPA, both Parties agreed not to apply: Article 15 (Price Comparability in Determining Subsidies and Dumping) and Article 16 (Transitional Product-Specific Safeguard Mechanism) of the Protocol on the Accession of the People's Republic of China to the WTO, and paragraph 242 of the Report of the Working Party on the Accession of China (provisions on trade in textile and clothing products).

²³ DSE, *CEPA Newsletter, Issue 67, December 2018*. Viewed at: <http://www.economia.gov.mo>.

²⁴ Information provided by the authorities.

²⁵ Articles 1 and 11.2 of the CEPA.

²⁶ The requirements for a Macao, China natural person to qualify as a service supplier of legal services vary in accordance with the type of legal service to be provided.

Mainland as a whole, thus opening 153 services subsectors (out of the 160 under the WTO Services Sectoral Classification System) to Macao, China services suppliers. In this new Agreement, commitments under Mode 3 are made using a negative list approach, while those under Modes 1, 2 and 4 are established through a positive list.

2.34. The DSE is responsible for issuing Macao, China service supplier certificates, which have a validity of two years and are non-transferrable and non-renewable. From the introduction of the CEPA to end-May 2020, the DSE issued a total of 817 service suppliers' certificates. These included suppliers from the following sectors: transport and logistics; convention and exhibition; management consulting; construction; distribution; telecommunications; legal services; advertising, sales and marketing; real estate; audiovisual; travel agencies; medical and dental; trademarks agencies; printing and publishing; R&D in natural sciences; banks and other financial services; services auxiliary to insurance; hotels and restaurants; passenger transportation; and educational services. With the revision of the Agreement on Trade in Services, which broadens the liberalization of trade in services between Mainland China and Macao, China, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the authorities expect that the use of service suppliers' certificates will increase.

2.35. The CEPA contains a chapter on trade and investment facilitation, whereby both parties agreed to promote cooperation in the following areas: trade and investment promotion; customs clearance facilitation; commodities inspection, inspection and quarantine of animals and plants, food safety, certification, accreditation, and standardization management; e-business; transparency in laws and regulations; SMEs; industrial cooperation; protection of intellectual property rights; brand promotion; and education.

2.36. The Investment Agreement, signed on 18 December 2017 between China and Macao, China, is a subsidiary agreement to the CEPA, and contains new commitments. It covers the admission, protection and promotion of investment between the two parties. Under this Agreement, China improved market access by opening up non-service sectors to Macao, China's investors, through the use of a negative list. The Agreement also introduces provisions on investment protection, such as compensation for expropriation, and a mechanism to settle investment disputes between investors and host governments, including through consultation, notification and coordination, mediation, and judicial means.

2.37. The CEPA Economic and Technical Cooperation Agreement (CEPA Ecotech Agreement), also signed on 18 December 2017 between the two parties, consolidates the economic and technical cooperation activities set out in the CEPA and its 10 supplements. It covers 14 areas of cooperation: tourism; MICE; traditional Chinese medicine; financial services; e-commerce; environmental protection; legal and dispute resolution services; accounting services; cultural affairs; innovative technology development; education; SMEs; intellectual property; and trademark and branding cooperation. In addition, the Agreement has a chapter dedicated to deepening cooperation in economic and trade issues covered by the Belt and Road Initiative, and another chapter on promoting the development of Macao, China as "a commercial and trade cooperation services platform" between China and the PSCs.

2.3.3.2 The Closer Economic Partnership Arrangement (CEPA) between Hong Kong, China and Macao, China

2.38. The CEPA between Hong Kong, China and Macao, China was signed on 27 October 2017.²⁷ It covers trade in goods, trade in services, investment, intellectual property, and economic and technical cooperation. The Arrangement is complemented by the Economic and Technical Cooperation Work Programme. The liberalization of trade in goods and services, as provided for in the Arrangement, was implemented on 1 January 2018.

2.39. With respect to trade in goods, each party committed to binding its zero-tariff regime and to not imposing non-tariff measures with respect to all imported goods originating in the other party. The Arrangement contains regulatory provisions on, *inter alia*, customs procedures and trade facilitation; technical barriers to trade; and sanitary and phytosanitary measures. On trade

²⁷ The Arrangement was notified to the WTO in documents WT/REG390/N/1 and S/C/N/898, 19 December 2017.

remedies, the parties agreed not to apply anti-dumping or countervailing measures on imported goods originating in the other party.

2.40. In the area of trade in services, both economies agreed to grant national treatment to the services and services suppliers of the other party. Furthermore, they adopted liberalization commitments (specified in Annexes 1 and 2 to the Arrangement) in the form of positive lists, which go beyond their GATS commitments in certain respects.²⁸ Hong Kong, China committed to opening 105 services subsectors to Macao, China, while the latter undertook to open 72 services subsectors to Hong Kong, China. With respect to intellectual property, the parties reiterated their observance of the WTO TRIPS Agreement, and agreed to intensify cooperation in this area.

2.41. Under the Economic and Technical Cooperation Work Programme, the parties also committed to strengthen cooperation mechanisms in the areas of customs procedures and trade facilitation; transparency in laws and regulations; standards and technical regulations; sanitary and phytosanitary measures; and intellectual property.

2.3.3.3 Cooperation arrangements in the region

2.42. Under the principle of "One Country, Two Systems", Macao, China participates in various economic cooperation and integration schemes with the Mainland and other economies in the region, most notably in the Belt and Road Initiative and the Greater Bay Area Framework Agreement.

2.43. As stated in its Five-Year Development Plan and the CEPA Ecotech Agreement, Macao, China's participation in the Belt and Road Initiative, which was launched by Mainland China in 2013, focuses on developing its role as a commercial and trade cooperation service platform between China and the PSCs. Specifically, the objective is for Macao, China to act as a bridge by utilizing its close relationships with the PSCs, the ASEAN countries and the overseas Chinese communities, with a view to giving new impetus to the development of its economy.

2.44. The Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation for the Development of the Greater Bay Area (GBA Framework Agreement) was signed on 1 July 2017, between the National Development and Reform Commission, China's Guangdong Province, and the Special Administrative Regions (SARs) of Hong Kong and Macao. The Greater Bay Area comprises nine municipalities in the Guangdong Province²⁹ and the SARs of Hong Kong and Macao. It builds upon previous cooperation mechanisms, such as the Pan-Pearl River Delta Cooperation Framework Agreement, signed in 2004, and the Guangdong-Macao Cooperation Framework Agreement (2011).

2.45. The 2017 GBA Framework Agreement is aimed at deepening integration and cooperation in the development of the Greater Bay Area among the participating cities. The main areas of cooperation include: increasing mobility and accessibility of resources across the region; building transport infrastructure, such as the recently completed Hong Kong-Zhuhai-Macao Bridge; further promoting market integration; establishing an international technology and innovation centre; and creating high-quality standards for living, working and travelling in, and across, the cities in the Greater Bay Area. The development of this regional pole (Guangdong-Hong Kong-Macao) also constitutes part of the broader strategy of the Belt and Road Initiative.

2.46. The ultimate goal is to transform the GBA into a dynamic economic hub and a world-class megapolis by 2035, building upon the respective comparative advantages of the parties involved. The GBA Development Plan, published in February 2019, sets out the development focus of each participating city, identifies clusters of industries with growth potential, and establishes complementary cooperation measures. In this context, the specific goals of Macao, China are: to consolidate its development as "One Centre, One Platform" (i.e. a global tourism and leisure centre, and a commercial and trade cooperation service platform between China and the PSCs); to establish an exchange and cooperation base where Chinese culture is mainstream, and other cultures coexist; and to foster economic diversification. Specifically, Macao, China will concentrate on building a tourism education base, fostering the development of traditional Chinese medicines; and constructing a platform for financial services, including a Renminbi clearing centre for PSCs.

²⁸ See the Factual Presentation prepared by the Secretariat, in WTO document WT/REG390/1/Rev.1, 2 April 2019.

²⁹ Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing.

2.47. Macao, China benefited from the GSP schemes of the European Union and Switzerland until end-2013. That year, its combined exports to both markets amounted to MOP 6 million. Since then, no GSP exports to any destination have been recorded.

2.4 Investment Regime

2.48. Macao, China seeks to foster economic diversification and sustainable development by attracting both domestic and foreign/overseas investment. To this end, the Government is committed to maintaining a transparent, non-discriminatory and investment-friendly environment, which includes, *inter alia*, a low-tax regime and the possibility of obtaining investment incentives.

2.49. There is no specific foreign investment legislation in Macao, China, as its laws do not distinguish between domestic and foreign investment. The main legislation governing investment includes the Commercial Code, the Commercial Registration Code, and the Foreign Trade Law.

2.50. There are no restrictions on capital flows or foreign exchange operations. In March 2012, the requirement that exporters exchange 40% of their foreign currency earnings into local currency was removed.³⁰ Foreign investors may freely remit abroad profits and dividends resulting from their investments, and are not required to report on such remittances.

2.51. There are no restrictions on the participation of foreign capital in existing or newly established businesses, provided that the investor abides by the Anti-Money Laundering and Combating the Financing of Terrorism Guideline issued by the Monetary Authority of Macao. Foreign investors can freely acquire real estate property and land in Macao, China. Licensing requirements apply to domestic and foreign investment in finance, insurance, and banking. Investment in gaming and public services (electricity, water and gas) by domestic and foreign companies requires a concession from the Government. Terrestrial television services are also subject to concession contracts, whereas satellite TV services require a licence.

2.52. Domestic and foreign companies register under the same rules, and are subject to the same commercial and bankruptcy laws. Foreign firms and individuals may freely establish companies, branches, and representative offices without discrimination or unduly heavy regulation. No restrictions apply to the ownership of such establishments, and there are no citizenship requirements regarding company directors. However, in the case of locally incorporated banks, the board of directors should have a minimum of three members, at least two of which must reside in Macao, China.

2.53. Macao, China maintains a simple tax regime, with low corporate tax rates. In addition, fiscal and financial incentives, including exemptions from taxation on real estate for industrial purposes and on corporate earnings, are available to both domestic and foreign investors that meet established criteria (Section 3.3.1.2).

2.54. Investors also benefit from the services and structures provided by the Macao Trade and Investment Promotion Institute (IPIM), namely the Investor's One-Stop Service. This provides a complete set of services to facilitate investment processes. Specifically, it assists potential foreign investors by providing information on investment opportunities, evaluating project proposals, and coordinating all administrative procedures required for the completion of investment projects in Macao, China. In addition, the IPIM provides various logistic facilities to reduce the start-up costs of companies.

2.55. Macao, China has 26 double taxation treaties (DTTs) and tax information exchange agreements (TIEAs) with several economies around the world; nine of these treaties/agreements were signed during the review period (Table 2.4). In addition, Macao, China has two bilateral investment treaties in force, one with Portugal (signed on 17 May 2000), and the other with the Netherlands (22 May 2008).

³⁰ Executive Order No. 9/2012, 28 March 2012.

Table 2.4 DTTs and TIEAs

Country/Region	Type	Date signed
Australia	TIEA	12/07/2011
Denmark	TIEA	29/04/2011
Faroe Islands	TIEA	29/04/2011
Finland	TIEA	29/04/2011
Greenland	TIEA	29/04/2011
Iceland	TIEA	29/04/2011
Norway	TIEA	29/04/2011
Sweden	TIEA	29/04/2011
India	TIEA	03/01/2012
Jamaica	TIEA	05/10/2012
Malta	TIEA	30/05/2013
Japan	TIEA	13/03/2014
Guernsey Island	TIEA	03/09/2014
United Kingdom	TIEA	03/09/2014
Ireland	TIEA	12/09/2016
Argentina	TIEA	05/09/2014
Portugal	DTT	28/09/1999
China	DTT	27/12/2003
China (1 st Protocol)	DTT	15/07/2009
China (2 nd Protocol)	DTT	26/04/2011
China (3 rd Protocol)	DTT	19/07/2016
Belgium	DTT	19/06/2006
Mozambique	DTT	15/06/2007
Cabo Verde	DTT	15/11/2010
Chinese, Taipei ^a	DTT	10/12/2015
Vietnam	DTT	16/04/2018

a The DTT between Chinese Taipei and Macao, China is applicable to aviation enterprises only.

Source: Information provided by the authorities.

2.56. With respect to dispute resolution with foreign states, both the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), to which China is a signatory, are applicable to Macao, China by extension. As for private investment disputes, they are usually settled through domestic courts or through private negotiation. Otherwise, they may be referred to arbitration. A new Arbitration Law (Law No. 19/2019) came into effect in May 2020.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. As specified in its Basic Law, Macao, China is a free port and a separate customs territory that implements its own customs procedures.¹ The Macao Foreign Trade Law (Law No. 7/2003 as amended by Law No. 3/2016) and the Regulations on Foreign Trade Activities (Administration Regulation No. 28/2003 as amended by Administration Regulation No. 19/2016) provide the main regulatory framework for customs procedures in Macao, China. Foreign trade operations may be carried out by natural or legal persons who comply with their tax obligations.² Since the last Review in 2013³, there have been no significant amendments to the Foreign Trade Law. However, there have been several changes with respect to, *inter alia*, temporary admission procedures and trade facilitation (e.g. further enhancement of the Electronic Data Interchange (EDI) system).

3.2. The Macao Customs Service (*Serviços de Alfândega*) is responsible for implementing customs procedures at the border, including with respect to the enforcement of intellectual property rights (IPRs), the prevention and suppression of customs fraud and illicit trafficking, and the implementation of international obligations within its jurisdiction.⁴ Other agencies engaged in foreign trade activities include the Municipal Affairs Bureau (*Instituto para os Assuntos Municipais* (IAM)), the Health Bureau (*Serviços de Saúde*, (SSM)), the Macao Economic Bureau (*Direcção dos Serviços de Economia* (DSE)), the Macao Post and Telecommunications Bureau (*Correios, Telégrafos e Telefones* (CTT)), the Public Security Police Force (*Corpo de Polícia de Segurança Pública*, (PSP)), and the Transport Bureau (*Direcção dos Serviços para os Assuntos de Tráfego* (DSAT)) with respect to import licence issuance.⁵ The IAM engages in border control for goods which require SPS control.

3.3. Imports into Macao, China are subject to import declarations (General Import Declarations) and/or import licensing requirements, depending on the nature of the products concerned. Import declarations are required for goods valued at more than MOP 5,000, and for goods with a value below MOP 5,000 but that are part of a complete item with a value exceeding MOP 5,000. The import declaration form must be accompanied by all supporting documents and presented to the Macao Customs Services for customs clearance. No customs clearance charge is imposed. Goods below the threshold, and goods for personal consumption within a limited quantity, do not require an import declaration.⁶ All goods that are subject to the licensing regime (including goods listed in Tables A and B of Chief Executive Decision No. 487/2016) require an import or export licence, regardless of their value.

3.4. All imported products entering into Macao, China are subject to a document check for the verification of permits and declarations; physical checks (e.g. any samples for analysis) are carried out randomly by Customs officers at the checkpoints.⁷

3.5. Some goods in the import list (Table B) specified in Chief Executive Decision No. 487/2016⁸ are subject to licensing requirements from the competent authorities (Section 3.1.5.1). Certain products (e.g. livestock, animals, pharmaceutical products, and chemical products), which require an import licence, are also subject to SPS-related requirements. The goods listed in Annex III of Chief Executive Decision No. 487/2016 are subject to sanitary or phytosanitary inspection and control by the IAM, whether they are in transit or finally imported into Macao, China. Animals, meat and food of animal origin are examples of these types of goods (Section 3.1.5.1). Import licences for live animals must be issued in advance by the IAM; these imports must be inspected, and are subject to health controls by the IAM, and may be placed in sanitary quarantine at designated

¹ Basic Law of the Special Administrative Region of Macau of the People's Republic of China. Viewed at: <https://bo.io.gov.mo/bo/i/1999/leibasica/index.asp>.

² Foreign Trade Law, No. 7/2003, as amended by Law No. 3/2016, Article 11, 4 July 2016.

³ WTO document WT/TPR/S/281/Rev.1, 27 June 2013.

⁴ Customs of Macao Special Administrative Region (SA), *Atribuições*. Viewed (in Portuguese) at: <https://www.customs.gov.mo/pt/mission.html#mission>.

⁵ Administration Regulation No. 19/2016, Article 3A, 18 July 2016.

⁶ Chief Executive Decision No. 487/2016, Annex I, 28 December 2016.

⁷ Administrative Regulation No. 19/2016, Articles 14B, 14C and 14D, 18 July 2016.

⁸ Chief Executive Decision No. 487/2016, Annex II, Table B, 28 December 2016. Viewed at: <https://images.io.gov.mo/bo/i/2016/52/despce-487-2016-an3-pt.pdf>.

locations upon entry into Macao, China.⁹ Imports of meat (whether fresh, cold, or in brine), sausages, fish and shellfish, milk and dairy products, eggs, and ice cream must be accompanied by an import licence issued by the IAM, are subject to a health check at the border, and may be subject to a sanitary quarantine. Imports of live plants (including their roots), bulbs, tubers, seeds, fruits and spores do not require an import licence, but are subject to phytosanitary control. Imports of edible vegetables, fruits, mushrooms, and sugarcane are subject to phytosanitary controls by the IAM, to prove that they are suitable for human consumption.

3.6. The temporary admission procedure is regulated by the Foreign Trade Law. Goods imported under the temporary admission regime are eligible for tax-free treatment. During the period under review, the ATA carnet (in use since 2010) was incorporated as the official instrument for the temporary admission of goods into Macao, China and their subsequent re-export.¹⁰ ATA carnets are issued by the World Trade Centre Macao under the guarantee of the Macao Chamber of Commerce; goods covered by ATA carnets include exhibitions, commercial samples, and professional equipment.¹¹ A security, equivalent to 100% of the value of the goods plus a further 10% of that amount, is required; it can take the form of cash (maximum MOP 10,000), bank cheque, or bank guarantee. Securities must be valid for a minimum of 33 months from the date of issue of the ATA carnet. Temporary admission is limited to a period of six months and can only be extended once for exceptional cases.¹²

3.7. Goods declared as in transit require transit declarations and/or transit licences if they are listed in Tables A (goods requiring an export licence) or B (goods requiring an import licence) of Chief Executive Decision No. 487/2016¹³ in order to be allowed to be presented to Customs for clearance.¹⁴ Only licensed freight-forwarders are allowed to carry out transit activities, regardless of whether the imports are processed through transit declarations and/or transit licences.¹⁵ Goods processed by using a transit declaration form can remain in transit for a period of six months, which may exceptionally be extended once by another six months. Goods processed by using a transit licence may remain in transit for 10 days only; this period is not extendable. Goods in transit subject to SPS-related control or quarantine must be controlled/quarantined by the IAM, and the relevant documents of quarantine must be presented before transshipment. Goods in transit must not be opened or repackaged without authorization from the Macao Customs Service.¹⁶

3.8. Macao, China amended its clearance procedures with respect to CITES and pharmaceutical products during the review period. A compulsory registration system for CITES stakeholders was established pursuant to the CITES enforcement law (Enforcement Law of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, Law No. 2/2017) and its regulations (Enforcement Law of the Convention on International Trade in Endangered Species of Wild Fauna and Flora - Complementary Regulations to Law No. 2/2017, and Administrative Regulation No. 19/2017).¹⁷ Traders (i.e. exporters and importers) and other stakeholders (i.e. breeders and nurserymen, taxidermists, and scientific institutions) of species listed in the Appendices to CITES are required to register at the DSE. Species listed in Appendix I to the CITES¹⁸ are prohibited from trade, and those listed in Appendices II and III are allowed to be imported into or exported from Macao, China only if accompanied by certificates and licences (Section 3.1.5.1).

3.9. Since the last Review¹⁹, Macao, China has adopted measures to further streamline customs procedures and facilitate trade, including: the ratification of the WTO Trade Facilitation Agreement (TFA); the enhancement of an IT-based customs clearance system; the simplification of customs procedures for goods under the agreement between Macao, China and Mainland China; and the

⁹ Chief Executive Decision No. 487/2016, Annex III, 28 December 2016.

¹⁰ Foreign Trade Law, No. 7/2003, as amended by Law No. 3/2016, Article 2.13, 4 July 2016.

¹¹ World Trade Centre Macao, *ATA Carnet*. Viewed at: <http://www.wtc-macau.com/ata/en/>.

¹² Foreign Trade Law, No. 7/2013, as amended by Law No. 3/2016, Article 13, 4 July 2016.

¹³ Chief Executive Decision No. 487/2016, Annex II, Tables A and B, 28 December 2016.

¹⁴ Foreign Trade Law, No. 7/2003, as amended by Law No. 3/2016, Article 16, 4 July 2016.

¹⁵ Foreign Trade Law, No. 7/2003, as amended by Law No. 3/2016, Article 16, 4 July 2016.

¹⁶ Foreign Trade Law, No. 7/2013, as amended by Law No. 3/2016, Article 16, 4 July 2016.

¹⁷ Law No. 2/2017, 22 May 2017. Viewed at: <https://bo.io.gov.mo/bo/i/2017/21/lei02.asp>; and Administrative Regulation No. 19/2017. Viewed at: <https://www.economia.gov.mo/public/data/laws/regulations/attach/5fbc391f25d16646eb4234247c48e4b017baca7b/en/reg-a-19-2017-en.pdf>.

¹⁸ Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), *The CITES Appendices*. Viewed at: <https://www.cites.org/eng/app/index.php>.

¹⁹ WTO document WT/TPR/S/281/Rev.1, 27 June 2019.

reporting requirement on cash and bearer instruments moved across the border. Macao, China presented to the WTO its instrument of ratification of the TFA on 11 April 2016.²⁰ Since the entry into force of the TFA on 22 February 2017, it has implemented provisions contained in Section I of the Agreement under Category A. Macao, China designated all of the provisions contained in Section I of the Agreement under category A, except paragraph 4 of Article 10 (Single Window), which was designated to fall under category B, with an indicative date for implementation of 31 December 2019.²¹ The authorities noted that the implementation of Article 10.4 (Single Window) took place ahead of the definitive date. According to the authorities, the e-Customs Services Web System and mobile application were introduced in 2013 and 2016, respectively, providing online application for declarations and licences, and enabling users to complete customs procedures faster and more easily.

3.10. In addition to trade facilitation in the framework of the WTO, Macao, China introduced further measures to facilitate trade with third parties through the Cooperation Memorandum between the (China) General Administration of Customs and the Macao SAR Government on Origin of Transshipment Cargo in Macao SAR under Free Trade Agreements, signed by the Macao Customs Service and China's General Administration of Customs (GAC) in 2016. As per this memorandum, an application for transshipment confirmation, signed and issued by the Macao Customs Service, is extended to all preferential trade agreements entered into by Mainland China. Also, pursuant to the Free Trade Agreement Transshipment Facilitation Scheme, the transshipment confirmation issued by the Macao Customs Service may be accepted in electronic format for customs clearance by China's GAC, so importers are not required to submit a paper form when making an import declaration. Additionally, the Agreement on Trade in Goods of the Closer Economic Partnership Arrangement (CEPA) between China and Macao, China contains a special chapter (Chapter 9) on trade facilitation measures for customs clearance of goods within the Bay Area (i.e. the Guangdong-Hong Kong-Macao area).²² According to the authorities, Macao China is advancing the trade facilitation measures under Chapter 9 (Guangdong-Hong Kong-Macao Bay Area Trade Facilitation Measures) of the Agreement on Trade in Goods of the CEPA in a proactive and systematic manner. Macao, China also simplified transit procedures for goods covered by the Economic Cooperation Framework Agreement (ECFA) between Mainland China and Chinese Taipei.²³ As a result, since 2016, goods that transit through Macao, China's Cotai Border are only required to be accompanied by a transit declaration form, instead of a Macao Customs Confirmation.

3.11. During the review period, the Macao Customs Service continued to improve its Electronic Data Interchange (EDI) system for the electronic transmission of both the application for, and the approval of, licences, as well as for lodging declarations. All electronic submission services are provided by Transferência Electrónica de Dados - Macau EDI VAN, S.A. (TEDMEV), which is a company fully owned by Macao, China, that aims to provide a safe and efficient e-commerce platform.²⁴ TEDMEV launched the e-Customs Service System (EDI) in 2000, and a mobile application in 2013. TEDMEV is seeking to promote the use of the EDI by SMEs, to enhance competitiveness and work efficiency.

3.12. E-customs services may be used for formalities undertaken with respect to the Macao Customs Service, the IAM, the DSE, the Transport Bureau, the Post and Telecommunications Bureau, and the Health Bureau. The latter adopted a paperless clearance system during the review period, to further facilitate the procedures for the importation of pharmaceutical products. The e-Customs Service System enables users to declare goods in advance through the different online services offered (Table 3.1). To carry out customs procedures online, an e-Signature Certificate, which is valid for three years, is required for identity authentication of an EDI document. The e-Signature Certificate holder can sign the EDI document for clearance. Paperless clearance is now available in every cargo terminal in Macao, China for general import/export declarations, import licences, quarantine import declarations, goods under the processing abroad (Processo Produtivo no Exterior, PPE) scheme, and certificates of origin for export declarations, among others. Importers and exporters provide their clearance code to the port authority to complete clearance procedures and

²⁰ WTO document WT/Let/1148, 14 April 2016.

²¹ WTO documents WT/PCTF/N/MAC/1, 25 November 2014; G/TFA/N/MAC/1, 20 November 2017; G/TFA/N/MAC/2, 4 June 2018; and G/TFA/N/MAC/1/Add.1, 4 June 2018.

²² Mainland and Macao Closer Economic Partnership Arrangement, Agreement on Trade in Goods. Viewed at: https://www.economia.gov.mo/public/docs/CEPA_CEPA_ACM/content/en/cepa_acm_en.pdf.

²³ The ECFA is a cooperation mechanism signed between China and Chinese Taipei in 2010.

²⁴ TEDMEV, *Transferência Electrónica de Dados*, MACAU EDI VAN S.A. Viewed at: <https://www.tedmev.com/en/index.php>.

take or ship the cleared goods directly. While applying for paperless clearance, users can make changes to the declared good's quantity information. Once the clearance approval is granted, it is possible to make changes to the information by applying for an after-clearance amendment (re-declaration). The user may apply for paperless clearance unlimited times during the Certificate validity period before the clearance is completed.²⁵

Table 3.1 E-customs services

Type of service	Coverage
e-General Declaration (GD)	For the declaration of imported and exported goods above the MOP 5,000 threshold for personal use and not included in the Export List (Table A) or the Import List (Table B) to complete clearance procedures.
e-Import Licence (IL)	For goods in the Import List (Table B) which require an import licence. Users can submit the import licence application via TEDMEV's e-Customs Services System to the related government departments, such as the DSE, the IAM, the Transport Bureau (DSAT), or and the Post and Telecommunications Bureau (CTT). The service also covers licences for general pharmaceutical products, modified milk products, diagnostic and laboratory reagents, and Chinese medicine (IL-SSM), which are transmitted to the Health Bureau (SSM). The import licence is valid for 30 days.
e-Quarantine Import Declaration (QID)	For goods requiring SPS-related quarantine, in addition to an import licence and declaration. The System allows users to apply for an import licence/declaration and to make an appointment for quarantine with the IAM.
Certificate of Origin for Export Declaration (COD)	For certificate of origin and customs clearance. Types of COD include domestic products, foreign products, and products covered by the GSP and the CEPA.
e-PPE Declaration (PPE)	For offshore activities in the manufacturing industry. These activities include: the importation of processed raw materials, the temporary exportation of semi-elaborated products, and the re-importation of processed products.
e-Transit Declaration (DT)	For import and export for transit activities (one-in and one-out transit, or the one-in and multi-out cargo model).
e-Formulario Service (EF)	Specific form for the manufacturing sector to be submitted to the DSE before application for a certificate of origin.
e-Manifest Service (EM)	Submission of a manifest by the marine or air transportation industry to the Macao Customs Office.

Source: WTO Secretariat, based on TEDMEV. Viewed at: <https://www.tedmev.com/en/index.php>.

3.13. Since 2015, users of the EDI system only need to pay the e-Signature Certificate every three years. They do not need to pay any additional fees. In contrast, when declaring goods imported into or exported from Macao, China, exporters/importers who use paper declaration forms must pay MOP 3 per copy, and importers must pay MOP 4 per copy for paper application forms for import licences. There is no fee for processing these applications through the EDI system.²⁶

3.14. In November 2017, Macao, China introduced a reporting requirement on cash and bearer instruments across the border.²⁷ Law No. 6/2017 (Control of cross-border transportation of cash and bearer negotiable instruments) established a Dual-Channel Simplifying System (red and green channels) that requires travellers arriving in Macao, China carrying MOP 120,000 or more in cash or bearer instruments (or its equivalent in another currency) to use the red channel and to make a declaration to the Customs officer. According to the Macao Customs Service, this requirement is for the purpose of preventing and combatting money laundering and terrorist financing, and of ensuring the security and stability of Macao, China's economic system.²⁸ Passengers departing Macao, China must disclose the amount of cash or bearer instruments if asked by a Customs officer; otherwise they are liable for a fine (ranging from MOP 1,000 to MOP 500,000). The Customs Service is responsible for the implementation of controls, supervision and sanctions under Law No. 6/2017.²⁹

²⁵ TEDMEV, *Paperless Clearance*. Viewed at: https://www.tedmev.com/en/paperless_declaration.php.

²⁶ The Municipal Affairs Bureau (IAM), *Procedures for Processing Import License/Declaration and Advance Booking for Sanitary Inspection*. Viewed at: <https://www.iam.gov.mo/e/food/adminDefault/22,1#3>.

²⁷ Macao Customs Service, Law No. 6/2017, *Control of cross-border transportation of cash and bearer negotiable instruments*. Viewed at: https://www.customs.gov.mo/doc/en_law6_2017.pdf; and Order of the Chief Executive, No. 229/2017. Viewed at: https://www.customs.gov.mo/doc/en_law229_2017.pdf.

²⁸ Macao Customs Service, *Declaration for the Transportation of Currency and Bearer Negotiable Instruments*. Viewed at: https://www.customs.gov.mo/form/en_SA213_sample2.pdf.

²⁹ Macao Customs Service, *Control of the Cross-border Transportation of Cash and Bearer Negotiable Instruments*. Viewed at: <https://www.customs.gov.mo/cn/customs6.html>.

3.1.2 Customs valuation

3.15. There were no significant changes with respect to customs valuation since the previous Review.³⁰ Given that Macao, China is a free port, customs valuation is used mainly to facilitate consumption tax collection at the border. The Consumption Tax Regulation stipulates that import valuation is based on the c.i.f. value of goods.³¹ Under Article 24 of the Regulation, in case of doubt regarding the accuracy of the declared value, the DSE notifies the importer, who must make the necessary amendments within 10 days. If, after giving the opportunity to make amendments, the DSE remains doubtful regarding the re-declared value, the rules of the WTO Customs Valuation Agreement are applied.

3.16. DSE valuation decisions may be appealed at the administrative level, in the case of disagreement regarding customs valuation. If the first appeal is rejected, the party concerned may make a second appeal to the Administrative Court.³²

3.1.3 Rules of origin

3.17. Subsection III of the Foreign Trade Law, No. 7/2003, as amended by Law No. 3/2016, contains provisions with respect to rules of origin. The Regulations are contained in Administrative Regulation No. 29/2003, as amended by Administrative Regulation No. 20/2016.³³

3.18. In practice, Macao, China has neither preferential nor non-preferential rules of origin for imports. In general, no certificate of origin is required for imports of goods into Macao, China. In the case of re-exports, the initial conferred origin of the goods is maintained. However, rules of origin apply for exports under the CEPA. In order to be eligible for duty-free treatment under the CEPA, products from Macao, China must abide by the agreed rules of origin requirements (Section 3.2.1).³⁴ The certificates of origin required to export under preferential conditions to China are issued by the DSE.

3.19. According to the authorities, the amendments introduced to the Foreign Trade Law, No. 7/2003, by Law No. 3/2016 of 4 July 2016, had the purpose of facilitating trade and reducing operating costs incurred by businesses. Some of the changes include: the removal of charges for the issuance of a certificate of origin; allowing for the electronic submission of certificate of origin applications; and only requiring an export declaration for the exportation of textile and clothing products, instead of obtaining an export licence (Section 3.2.1).

3.1.4 Tariffs

3.20. Macao, China maintains all applied tariffs at a rate of zero. Although Macao, China is not a contracting party to the International Convention on the Harmonized Commodity Description and Coding System (HS Convention), it applies Version 6 of the Nomenclature for Macao, China external trade, which is equivalent to the 2017 version of the Harmonized Commodity Description and Coding System (HS).³⁵ The tariff schedule comprised 6,641 tariff lines at the eight-digit level in 2020.³⁶ Macao, China continues to regularly submit its customs tariff and import data to the WTO Integrated Database.

3.21. Macao, China's latest certified WTO-bound schedule of tariff concessions is in the HS 2012 nomenclature.³⁷ It has bound only 30.5% of its tariff lines in the WTO, all at a zero rate. While all agricultural lines are bound, only 19.2% of non-agricultural tariff lines are bound. Within the non-agricultural product group, the binding coverage varies, according to the product group:

³⁰ WTO document WT/TPR/S/281/Rev.1, 27 June 2019.

³¹ Consumption Tax Regulation, Law No. 4/99/M, 13 December 1999 (as amended by Law No. 8/2008 of 25 August, Law No. 7/2009 of 25 May, Law No. 11/2011 of 19 December and Law No. 9/2015 of 13 July), Article 21. Viewed at: <https://bo.io.gov.mo/bo/i/99/50/lei04.asp>.

³² WTO document WT/TPR/S/281/Rev.1, 27 June 2013.

³³ Administrative Regulation No. 20/2016 (the amendment to No. 29/2003), 18 July 2016. Viewed at: <https://bo.io.gov.mo/bo/i/2016/29/regadm20.asp>.

³⁴ WTO document G/RO/N/187, 20 September 2019.

³⁵ The HS 2017 version is consistent with Version 6 of the nomenclature for external trade, pursuant to Chief Executive Decision No. 67/2016, 28 October 2016.

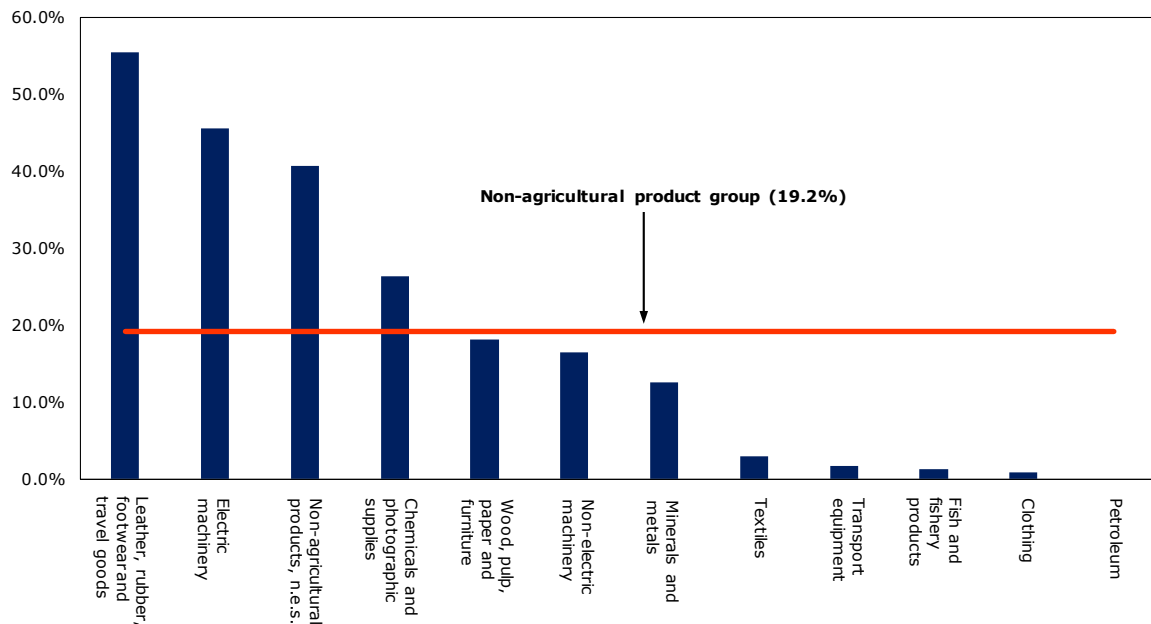
³⁶ Information provided by the authorities to the WTO IDB.

³⁷ WTO document WT/Let/1441, 28 June 2019.

example, 55.5% of tariff lines corresponding to leather, rubber, and footwear are bound, while all lines relative to petroleum products remain unbound³⁸ (Chart 3.1). The absence of bindings for nearly 70% of total tariff lines is in contrast with Macao, China's practice of having all applied rates at zero, and creates uncertainty for traders. The predictability of Macao, China's trade regime would be considerably enhanced by increasing the number of lines bound. During the review period, as a participant in the Information Technology Agreement (ITA) Expansion, Macao, China rectified and modified its WTO schedule of tariff concessions to reflect the ITA Expansion, effective since 6 November 2014.³⁹

Chart 3.1 Binding coverage by non-agricultural product groups

(% of tariff lines for each product group)



Source: WTO Secretariat calculations, based on Macao, China's schedule (HS 2012), from CTS database.

3.1.5 Other charges affecting imports

3.22. Certain imported and domestically produced goods, namely tobacco, alcoholic beverages with a measured alcoholic strength of more than 30% by volume, and vehicles, are subject to consumption/vehicle taxes, based on their c.i.f. value, regardless of their origin. Taxes on tobacco and automobiles underwent some changes since the last Review. In particular, imports of these goods are subject to a higher tax rate; e.g. in 2019, consumption taxes on cigars and cigarettes were levied at a rate of MOP 4,326 per kg and MOP 1.5 per unit, up from MOP 1,442 per kg and MOP 0.5 per unit in 2011. According to the authorities, the rationale for this increase is to control the local tobacco consumption volume, by various segments of the population, in particular young persons. They also noted that the increases in tobacco taxes are in conformity with Article 6 of the WHO Framework Convention on Tobacco Control. These taxes are not applicable to goods in transit. The DSE is responsible for assessing and collecting the taxes on tobacco and alcohol, while the Financial Services Bureau (DSF) is responsible for the tax on vehicles.

3.1.5.1 Import licensing

3.23. Import licensing requirements are applied to several categories of goods when imported into Macao, China, primarily on grounds of public health, safety, public security, environmental protection, IPR enforcement, and consumption tax collection. The products concerned include: live animals; plants listed under CITES; certain food; pharmaceuticals; narcotic drugs and psychotropic

³⁸ The definition of product groups is based on World Tariff Profiles published by WTO Secretariat.

³⁹ WTO document WT/Let/1022, 2 December 2014.

substances; chemicals; goods subject to excise duty; equipment and materials for the production of compact discs; radiocommunication equipment; and arms and ammunition (Table 3.2).

Table 3.2 Products subject to import licensing, 2020

Products	HS headings
Live animals	Chapter 1
Meat and meat products	0201, 0202, 0203, 0204, 0205, 0206, 0207, 0208, 0209.10.10, 0209.90.10, ex-0210 (0210.11.00-0210.20.00)
Live fish	ex301 (0301.91.00-0301.99.90)
Fish and fish products	0302, 0303, 0304, 0305.42.00, 0305.51.00,
Seafood	ex-306 (0306.11.00-0306.17.90, 0306.31.00-0306.99.00) ex-307 (0307.11.00-0307.43.00, 0307.51.00, 0307.52.00, 0307.60.10, 0307.60.20, 0307.71.00, 0307.72.00, 0307.81.00-0307.84.00, 0307.91.00, 0307.92.00) ex-308 (0308.11.00, 0308.12.00, 0308.21.00, 0308.22.00, 0308.30.10, 0308.30.20, 0308.90.10, 0308.90.20)
Milk and milk products (butter, cheese)	0401, 0403, 0405, ex-406 (0406.10.00, 0406.30.00-0406.90.00)
Eggs	0407
Meat preparations	1601, 1602.41.00, 1602.42.00
Ice cream (sorbets)	2105.00.00
Itinerant animals	9508.10.20
Powder milk and formula	0402.21.20, 1901.10.31, 1901.10.32
Inorganic chemicals	2806.20.00, 2810.00.00, 2828.10.00, 2837.11.12, 2837.11.20, 2837.19.11, 2837.19.12, 2837.19.90, 2840.11.00, 2843.21.00, 2844, 2845, 2847.00.00, 2853.90.20, 2806.10.00, 2807.00.10, 2807.00.20, 2841.61.00
Organic chemicals	2903.81.10-2903.92.20, 2905.51.00, 2907.19.10, 2907.21.00, 2907.22.00, 2912.11.00, 2914.29.10, 2914.39.10, 2914.39.90, 2916.31.00, 2918.21.00, 2918.22.00, 2918.23.00, 2921.46.00, 2922.44.00, 2922.31.00, 2922.44.00, 2922.49.00, 2924.24.00, 2925.12.00, 2926.30.00, 2932.20.10, 2932.95.00, 2933.11.00, 2933.21.00, 2933.33.00, 2933.41.00, 2902.30.00, 2909.11.00, 2914.11.00, 2914.12.00, 2914.31.00, 2915.24.00, 2916.34.20, 2922.43.10, 2922.43.20, 2924.23.10, 2924.23.20, 2932.91.00, 2932.92.00, 2932.93.00, 2932.94.00, 2933.32.10, 2933.32.20, 2939.41.11-2939.41.80, 2939.42.11-2939.42.80, 2939.44.00, 2939.61.10, 2939.61.80, 2939.62.10, 2939.62.80, 2939.63.10, 2939.63.80
Laboratory material and medical equipment	3822, 9018.39.11, 9021.9011, 9022
Beverages with alcohol content	ex-2205, ex-2206, ex-2208
Tobacco products	Chapter 24
Petroleum products (oil and gas)	2710.12.51, 2710.19.11, 2710.19.51, 2710.19.52, 2710.19.57, 2710.19.58, 2710.19.60, 2711.19.00
Plastics and articles thereof	3903.30.10, 3907.40.10
Machinery and mechanical appliances; parts thereof	ex-8419.39.00, 8424.89.10, 8424.89.20, 8443.19.10, 8465.94.10, 8465.99.10, 8477.10.10, 8479.89.20, 8479.89.30, 8479.89.40, 8480.89.10
Electrical machinery and equipment and parts thereof	8543.30.10, 8543.70.10
Optical photographic, cinematographic instruments	9031.80.10, 9031.80.20
Radiocommunication apparatus	ex-8517.61.00, ex-8217.62.66, ex-8517.62.99, ex-8517.69.90, 8565.69.10, 8525.50.00, ex-8525.60.90, ex-8526, ex-8517.70.20, ex-8517.70.60, ex-8517.70.90, ex-8529.10.10, ex-8529.10.90, ex-8529.90.10, ex-8529.90.20
Explosive powder	36010010
Specimens of endangered species of animals and plants	DSE, with prior opinion from the Municipal Affairs Bureau for species of animals and plants listed in CITES; with prior opinion from the Health Bureau for medicines comprising ingredients of species listed in CITES
Arms and ammunitions; accessories and parts thereof; explosives and pyrotechnic products	3601-3604, ex-39, ex-71, ex-73 to ex-81, ex-40, ex-61, ex-62, ex-63, 6211.43.40, 6307.90.30, 6506.10.20, 8301.50.10, 8479.89.50, 8479.90.40, ex-8704, ex-8710, 8710, 9020.00.10, Chapter 93
Motor vehicles	ex-8701 (8701.20.00, 8701.30.00, 8701.91.00-8701.95.00), 8702, 8703, ex-8704, 8705, 8706, ex-8711, ex-8716 (8716.10.00-8716.40.00, 8716.80.90, 8716.60.90)

Products	HS headings
Ozone-depleting substances	DSE, with prior opinion from the Environmental Protection Bureau for ozone-depleting substances listed in the Montreal Protocol
Rough diamonds	7102.10, 7102.21, 7102.31

Source: Chief Executive Decision No. 487/2016, Annex II, Table B, 28 December 2016. Viewed at: <https://images.io.gov.mo/bo/i/2016/52/despce-487-2016-an3-pt.pdf>; Law No. 2/2017, 22 May 2017. Viewed at: <https://images.io.gov.mo/bo/i/2017/21/lei-2-2017.pdf>; Decree-Law No. 62/95/M, 4 December 1995. Viewed at: <https://images.io.gov.mo/bo/i/95/49/dl-62-95.pdf>; and Law No. 15/2019, 19 August 2019. Viewed at: <https://images.io.gov.mo/bo/i/2019/33/lei-15-2019.pdf>.

3.24. In addition to import licences, imports of live animals, meat, animal products, fish, crustaceans and molluscs, live plants, mushrooms, and edible plants must also be accompanied by international animal health certificates, sanitary and/or phytosanitary certificates (Section 3.3.3).

3.25. The import licensing regime's legal basis includes the Foreign Trade Law (Law No. 7/2003, as amended by Law No. 3/2016), the Regulation on Foreign Trade Operations (Administrative Regulation No. 28/2003, as amended by Administrative Regulation No. 19/2016), and other sectoral laws and decree-laws. In 2015, petroleum products were added to the import licensing regime (Chief Executive Decision No. 27/2015), but they were subsequently removed. Chief Executive Decision No. 487/2016, published on 28 December 2016, sets out the most recent list of products that are subject to import licences (Table B, Annex II to the Decision). In addition, other goods are subject to import licences under specific laws applied to implement relevant international agreements.⁴⁰

3.26. Several government departments are responsible for issuing import licences, depending on the nature of the product and the purpose of the licence (Table 3.3). Import licences for live animals, meat, animal products, fish, crustaceans and molluscs, live plants (listed in CITES), mushrooms, and edible plants are administered by the Municipal Affairs Bureau (IAM). However, import licences related to animals and plants listed in CITES are issued by the Macao Economic Bureau (DSE), with a prior opinion from the IAM. The DSE also administers import licences for products subject to consumption tax (alcoholic beverages and tobacco products); optical disc-manufacturing equipment; certain narcotic drugs; and ozone-depleting substances. For the latter, a prior opinion from the Environmental Protection Bureau is required.

Table 3.3 Import licensing regime, 2020

Products	Licensing authority	Rationale
Live animals; meat; animal products; fish, crustaceans and molluscs; vegetables; live plants (listed in CITES); mushroom spawn; and dairy products	Municipal Affairs Bureau (IAM) ^a	To protect public health, animal health, and animal welfare, and to prevent the introduction into, and spread within, Macao, China of destructive plant diseases and pests
Pharmaceutical products and medicines; modified milk; essential oils; and dyes and chemicals	Health Bureau	To safeguard public health, and to prevent diversion of narcotic drugs and psychotropic substances into illicit markets
Beverages with alcohol content ≥ 30%; and tobacco products	Macao Economic Bureau (DSE)	To facilitate collection of the consumption tax
Petroleum products (oil and gas)	DSE	To enforce control of public safety, and for data collection reasons
Optical disc-manufacturing equipment and raw materials	DSE	To enforce control over the flow of optical disc-manufacturing equipment and raw materials, in order to prevent copyright-infringing activities
Narcotic drugs and psychotropic substances	DSE	To control the illicit traffic of narcotic drugs and psychotropic substances, as stipulated in the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances

⁴⁰ Examples of goods subject to specific laws are: ozone-depleting substances (Decree-Law No. 62/95/M); rough diamonds (Law No. 15/2019); and specimens of endangered species of animals and plants (CITES) (Law No. 2/2017).

Products	Licensing authority	Rationale
Radiocommunication apparatus	Macao Post and Telecommunications Bureau	To ensure imported products meet certain standards
Ozone-depleting substances originating in contracting parties to the Montreal Protocol	DSE, with advance comments from the Environmental Protection Bureau	To comply with the obligations set out in the Montreal Protocol
Specimens of endangered species of animals and plants	DSE, with prior opinion from the IAM for species of animals and plants listed in CITES; with a prior opinion from the SSM for medicines comprising ingredients from species listed in CITES	To ensure survival of endangered species of wild animals and plants
Arms and ammunition; accessories and parts thereof; explosives and pyrotechnic products	Public Security Police Force	To control ammunition arms; and public security
Motor vehicles	Transport Bureau	To facilitate collection of the motor vehicle tax
Rough diamonds	DSE	To eradicate the illegal trade of conflict diamonds, and preserve order in rough diamond trade

a The IAM started operations on 1 January 2019, replacing the Civic and Municipal Affairs Bureau.

Source: Information provided by the authorities. See also WTO document G/LIC/N/3/MAC/22, 27 May 2019.

3.27. Import licences for vehicles are issued by the Transport Bureau; licences to import radiocommunication equipment are the responsibility of the Post and Telecommunications Bureau; import licences for pharmaceutical and chemical products are the remit of the Health Bureau; and the Public Security Police Force is responsible for issuing import licences for arms, ammunition and explosives.

3.28. Generally, import licences are granted within three working days if the "ordinary" criteria stipulated in the Foreign Trade Law are met; if refused, the reasons for refusal must be given to the applicant, who has the right to appeal. Import licences are valid for 30 days from the date of issuance. They may not be extended, and are not transferable. Macao, China has regularly submitted its replies to the questionnaire on import licensing procedures to the WTO Committee on Import Licensing.⁴¹

3.29. The application for an import licence does not require payment of any fee. However, each CITES certificate and Kimberly Process certificate issued by the DSE is subject to a charge of MOP 70, since 1 September 2017.⁴²

3.1.5.2 Other restrictions

3.30. Imports of hydrochlorofluorocarbons have been subject to an import quota since 1995. The quota is progressively reduced every five years, and the importation of this product is to be banned for environmental reasons from 1 January 2030.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.31. Macao, China has no authority responsible for initiating and conducting investigations related to anti-dumping or countervailing actions, nor legislation governing such matters.⁴³ Therefore, to date, Macao, China has taken no anti-dumping or countervailing measures.

3.32. Likewise, Macao, China has no legislation or institutional setting relating to safeguard measures, nor has it ever imposed such measures.

⁴¹ WTO documents G/LIC/N/3/MAC/16-22, the latest dated 27 May 2019.

⁴² Chief Executive Decisions No. 212/2017 of 3 July 2017, and No. 142/2019 of 1 October 2019.

⁴³ WTO documents G/ADP/N/193/MAC and G/SCM/N/202/MAC, 9 February 2010.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.33. The Macao Customs Services is responsible for export inspection and clearance. The DSE and the Public Security Police Force are involved in the control of export licences; however, the authorities noted that they are not stationed at the border.⁴⁴ The IAM is involved in quality supervision and quarantine inspection.

3.34. Exports from Macao, China above a certain threshold require an export declaration, and certain exports require an export licence. All exports above MOP 5,000 require an export declaration; goods with a total value of less than MOP 5,000 may be exempted from submitting a declaration form. Export declarations are submitted to the Macao Customs Services for statistical purposes. All goods subject to licensing (including goods under Table A under Chief Executive Decision No. 487/2016) require an export licence, regardless of their value. Export licences are required for goods in the export list (Table A) of Chief Executive Decision No. 487/2016 (such as arms and ammunition, and chemicals), and for goods whose trade is covered by international agreements and obligations (such as CITES) (Section 3.2.3).

3.35. Goods of Macao, China origin exported to Mainland China continue to benefit from certain facilitation measures established under the CEPA (e.g. they benefit from customs cooperation for customs clearance and inspection by China's General Administration of Customs (GACC), and regarding obtaining licences, permits or certificates).⁴⁵ Moreover, China provides duty-free treatment to all goods from Macao, China since 1 January 2006, except for prohibited goods. Goods from Macao, China must satisfy the rules of origin established under the CEPA in order to enjoy duty-free treatment.

3.36. The Agreement on Trade in Goods under the CEPA (Section 2.3.3.1) amended rules of origin criteria by establishing the criterion of origin, as well as more flexible methods for the determination of origin for all products classified under Chinese tariff codes.⁴⁶ The new rules of origin are valid since 1 January 2019. According to the CEPA, a good qualifies as originating from Macao, China if it meets one of the following provisions: (i) the good is wholly obtained or produced in Macao, China; (ii) the good is produced in Macao, China exclusively from materials originating therefrom; (iii) the good is produced using non-originating materials in Macao, China; (iv) the good falls within the scope of the Annex of the Agreement (Product Specific Rules of Origin⁴⁷) and complies with the corresponding change in tariff classification, regional value content (RVC), manufacturing or processing operations or other requirements; and (v) the good does not fall within the scope of the Annex of the Agreement, but complies with the requirement that the RVC is greater than or equal to 30% when calculated by the build-up method, or the RVC is greater than or equal to 40% when calculated by the build-down method.⁴⁸ To be granted preferential access to China under the CEPA, an application form for the issuance of a certificate of origin must be submitted to the DSE at least two days prior to the expected date of the operation. The form may be submitted electronically through the EDI (Section 3.1.1). Also, under the CEPA, a mechanism for consultations to appeal rules of origin determination was established in 2019. Through the mechanism, Macao, China manufacturers can submit their requests for revisions of specific rules of origin to the DSE, which enters into consultations with the Chinese authorities. Resulting from these consultations, revised rules of origin may be issued. Since 2020, the consultation process is conducted twice a year, following a specified

⁴⁴ Administration Regulation No. 19/2016, Chapter 1, Article 3-a.

⁴⁵ WTO document WT/TPR/S/201/Rev.1, para. 3.62, 27 June 2013. When local products are exported to China by container or truck, Macao, China customs officers carry out clearance procedures (i.e. document verification and inspection) and seal the truck or container with an electronic pass lock. The inspection result is transmitted to China's GACC. These goods are then exempted from clearance and inspection by the GACC.

⁴⁶ DSE, *Mainland and Macao Closer Economic Partnership Arrangement (CEPA)*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pq_eetr_cepa_s?refresh=true.

⁴⁷ DSE. Viewed at: https://www.economia.gov.mo/public/data/cepa/tiq/attach/005b2d0f887107a3f3e22af58f0651c903da30fa/en/Rules_en.pdf.

⁴⁸ Under the build-down method, the RVC is calculated using the formula $RVC = ((AV - VNM) / AV) \times 100$, where the RVC is expressed as a percentage; AV is the adjusted value of the good; and VNM is the value of the non-originating materials acquired and used by the producer in the production of the good.

chronogram.⁴⁹ As noted earlier (Section 3.1.2), the DSE does not charge a fee for issuing a certificate of origin.

3.2.2 Taxes, charges, and levies

3.37. Macao, China does not levy any export-related duties, taxes or charges.

3.2.3 Export prohibitions, restrictions, and licensing

3.38. Macao, China does not apply any export prohibitions other than those required to fulfil international obligations.

3.39. Export licensing requirements apply to certain categories of products for reasons of public health, environmental protection, IPR enforcement, public security, and compliance with international conventions. Some of the products concerned mirror those that are subject to import licences (Table 3.4). Chief Executive Decision No. 487/2016, published on 28 December 2016, contains the most recently updated list of products for which an export licence is required (Table A in Annex II to the Decision); other goods are subject to export licensing under specific laws, applied to implement relevant international agreements (e.g. CITES, the Montreal Protocol, etc.). Since the last Review, textiles and garment products exported to the United States, the European Union, Canada, Norway and Turkey have been removed from the list of goods that are subject to export licensing.

Table 3.4 Export licensing regime, 2020

Goods	Licensing authority	Rationale
Toxic chemicals, precursor substances, and psychotropic substances	Health Bureau or DSE	To control illicit production, supply and consumption of narcotic drugs and psychotropic substances (Health Bureau); and to control chemicals under the 1988 UN Convention (DSE)
Optical disc-manufacturing equipment and raw materials	DSE	To prevent piracy of copyrighted materials
Specimens of endangered species of animals and plants	DSE; with prior opinions from the IAM for species of animals and plants listed in CITES, and from the Health Bureau for medicines comprising ingredients of species listed in CITES	To ensure the survival of endangered species of wild animals and plants
Ozone-depleting substances originating in contracting parties to the Montreal Protocol	DSE, with advance comments from the Environmental Protection Bureau	To comply with the obligations set out in the Montreal Protocol
Arms and ammunition; parts and accessories thereof	Public Security Police Force	To control arms and ammunitions
Rough diamonds	DSE	To eradicate the illegal trade of conflict diamonds

Source: Information provided by the authorities.

3.40. The DSE, the Health Bureau and the Public Security Police Force are in charge of issuing export licences within their respective remits. For products subject to export licensing by the DSE, exporters must obtain the licence before applying for a certificate of origin. As indicated previously, exports of textiles and clothing no longer require an export licence to obtain a certificate of origin; obtaining an export declaration is sufficient. Generally, export licences are issued within three working days of application.

⁴⁹ DSE, *Rules of Origin*. Viewed at: https://www.economia.gov.mo/public/data/cepa/tig/attach/a7a6f244cc6d7cd2cab4b3a30429e5ab0b740653/en/app_ceparule_en.pdf; and *Product Specific Rules of Origin*. Viewed at: https://www.economia.gov.mo/public/data/cepa/tig/attach/005b2d0f887107a3f3e22af58f0651c903da30fa/en/Rules_en.pdf.

3.2.4 Export support and promotion

3.41. The authorities indicated that Macao, China does not apply any export subsidies.

3.42. Being a free port, Macao, China does not maintain any export processing zones, special economic zones or free trade zones. Companies established in the Macao side of the Zhuhai-Macao Cross-border Industrial Park are treated in the same way as those in the territory of Macao, China.

3.43. Exporters can benefit from the promotional activities and other services provided by the Macao Trade and Investment Promotion Institute (IPIM), the government agency responsible for promoting trade opportunities and attracting investment. To support the Government's objective of economic diversification, the IPIM provides domestic companies with trade, economic and statistical information on various markets, helps exporters participate in international fairs, facilitates business-matching contacts, and fosters the role of Macao, China as an economic and trade platform between China and foreign countries, in particular Portuguese-speaking countries.

3.44. Specifically, the IPIM organizes exhibitions and other activities, locally and overseas, to promote Macao products, and provides financial incentives to encourage local companies to participate in such events in order to display their products and establish direct contacts with customers. The costs of participation may be fully or partially covered (50% or 60%), with maximum annual caps per applicant, depending on whether the exhibitions are held locally or overseas, and whether they are organized by the IPIM or not. These costs include: rental of exhibition space; construction, setting-up and dismantling of exhibition booths; decoration costs of exhibition booths; transportation fees for products/samples; air tickets; and costs of printed and audiovisual promotional materials.⁵⁰ Companies registered in Macao, China, in which at least 50% of the shareholders are residents, and wholly owned Macao, China enterprises are eligible to apply for the financial incentives. Companies that do not fulfil these conditions must submit a certificate of origin or the respective trademark registration issued by the DSE as a proof of "Made in Macao" or "Macao Brand" products, when applying for the financial incentives offered by the IPIM. In 2017, the IPIM provided 725 Macao, China enterprises and associations with financial incentives for participating in 58 local and overseas exhibition events and, in 2018, 806 enterprises and non-profit organizations benefitted from financial incentives to participate in 62 local and overseas exhibition events.

3.45. In addition, since November 2019, the IPIM administers the E-Commerce Promotion Incentive Measures Scheme, to encourage Macao enterprises to make full use of online business platforms to explore markets and business opportunities around the world. Applicants must be registered in the IPIM's Eligible E-Commerce Operators list. Costs covered under the scheme include: membership fees; fees on value-added services; and fees for setting up standard websites. The financial incentive is equivalent to a maximum of 70% of all expenses for each application, with an annual cap of MOP 30,000 per enterprise.

3.2.5 Export finance, insurance, and guarantees

3.46. Macao, China does not operate any export finance schemes (including concessional export credits), or any insurance or guarantee schemes.

3.3 Measures Affecting Production and Trade

3.3.1 Taxation and incentives

3.3.1.1 Taxation

3.47. Macao, China maintains an independent taxation system, characterized by a simple structure and low tax rates, which is meant to make it an attractive location for domestic and overseas investors. The system relies mostly on direct taxes, in particular those imposed on gaming activities, which accounted, on average, for 80.5% of total annual revenues during the period under review. The Financial Services Bureau is responsible for monitoring the taxation system and implementing

⁵⁰ IPIM, "Regulations on Participation in IPIM's Promotional Activities" Abstract and Application. Viewed at: <https://www.ipim.gov.mo/en/macao-exhibition-and-conference/the-incentive-measures/regulations-on-participation-in-ipims-promotional-activities-abstract-and-application/>.

the relevant legislation. There were no fundamental changes to the taxation structure since the last Review, although the rates of the consumption tax, the motor vehicle tax and other taxes were modified. In addition, in 2020, the authorities introduced temporary tax concessions concerning several direct and indirect taxes, in response to the COVID-19 pandemic (see below). Table 3.5 describes the main types of direct and indirect taxes and related exemptions/reductions applied.

Table 3.5 Main types of taxation, and related exemptions

Type of tax	Main features of the tax	Examples of exemptions/reductions
Direct taxes		
Profits tax	Levied on the total revenue generated by industrial and commercial businesses. It is applied at progressive rates, ranging from 3% to 9% for taxable profits below or equal to MOP 300,000, and 12% for taxable profits over MOP 300,000. Taxable profits below MOP 32,000 are exempt from tax.	May be reduced by 50% or exempted. Gaming operators are exempted from profits tax.
Salary tax	Levied at rates between 7% and 12% on work income. Daily-wage temporary workers, full-time employees and freelance workers (self-employed professionals) with an annual income of up to MOP 144,000 are exempt from income tax. Annual income between MOP 144,001 and MOP 424,000 is taxed at rates ranging from 7% to 11%; and annual income over MOP 424,000 is levied at a flat rate of 12%.	For part-time employees, employees aged 65 or over, and employees with permanent disability, the tax-free threshold is MOP 198,000.
Business registration tax	Levied on all individually and collectively operated industrial and commercial businesses, in the form of a business registration charge, involving a fixed annual tax that varies according to the nature of the business. For most activities, the charge is MOP 300; for import and export activities, it is MOP 1,500.	50% reduction for businesses located on the islands of Coloane and Taipa (except offshore banking operations).
Property tax	Levied at a rate of 6% of the rental value assessed by the Finance Services Bureau or at 10% of the actual rental income generated, whichever is higher.	Property purchased and used for manufacturing is exempted from the property tax. The exemption is for: (i) 5 years, if the new industrial unit is on the Macao peninsula; (ii) 10 years, if the new industrial unit is on Taipa Island or Coloane Island. For new residential units, 4 years if the unit is on the Macao peninsula, and 6 years if it is on Taipa Island or Coloane Island.
Gaming tax	Applies to casino concessionaires, and is levied on their gross gaming revenue at a rate of 35%.	None.
Indirect taxes		
Consumption tax	Levied on alcoholic beverages ($\geq 30\%$ alcohol content), and tobacco.	Alcoholic beverages ($\geq 30\%$ alcohol content) provided by an airport catering company on aircrafts, and alcoholic beverages ($\geq 30\%$ alcohol content) and tobacco sold on aircrafts are exempted from the tax.
Motor vehicle tax	Levied on the "tax price" (determined for tax purposes) of new vehicles, covering automobiles, motorcycles and scooters, and imported vehicles for the private use of the importer or marketing agent. The rates vary between 24% and 50% for motorcycles and scooters, and between 40% and 72% for automobiles.	Vehicles intended for use in Macao, China's public services, public transport, cargo, etc. are exempted from the tax.
Tourism tax	Levied at 5% on all services provided by hotels and similar establishments, health clubs, saunas, massage parlours, karaoke bars and holiday resorts.	Businesses such as guesthouses, restaurants, beverage shops, and food shops are exempted.
Stamp duty	Applies to the transfer of property and other assets. The rate for transactions involving building	Reduced by 50% for all property transfers involving industrial use.

Type of tax	Main features of the tax	Examples of exemptions/reductions
Special stamp duty	units on the Macao peninsula and the two islands is between 1% and 3%, depending on the transaction price. Stamp duty of 5% is levied on gifts. Any transfers of immovable property ownership within two years of the stamp duty liquidation date of the property are subject to special stamp duty.	Charitable donations related to property transfers valued at less than MOP 50,000 enjoy a reduction. Special stamp duty is exempted for the spouse, parent or straight-line relative or parent or 2 nd collateral degree relative.
Extra stamp duty	The acquisition of residential property by a legal entity, an individual entrepreneur, or a non-resident is subject to extra stamp duty of 10%.	Extra stamp duty is exempted for the spouse, or lineal relative by blood or by marriage.
Additional stamp duty	5% additional stamp duty is applied on the acquisition of a second residential property. 10% additional stamp duty is applied on the acquisition of a third or more residential property if the acquirer owns other residential property at the time of the acquisition.	Additional stamp duty on the acquisition of the second and subsequent residential property is exempted for the spouse, lineal relative by blood or marriage, and 2 nd degree collateral relative by blood or by marriage.

Source: Information provided by the authorities.

3.3.1.1.1 Direct taxes

3.48. Direct taxes include profits tax (or complementary tax); salary tax; business registration tax; property tax; and gaming tax. The latter is applied at a rate of 35% on the gross revenue generated by casino gaming. Most other direct taxes, in particular the profits tax and the salary tax, are levied at relatively low rates. The highest profits tax rate remains at 12%, and a flat 12% salary tax rate was applied to personal income above MOP 424,000 in 2019. Several tax rebates and exemptions apply (Table 3.5).

3.3.1.1.2 Indirect taxes

3.49. The main indirect taxes are the consumption tax (on tobacco products, and beverages with an alcohol content of 30% or more), the motor vehicle tax, the tourism tax, and stamp duty. The consumption tax and the motor vehicle tax are levied on domestic and imported products alike. However, as few of such products are produced in Macao, China, imported products are the major source of these taxes. Importers of goods subject to consumption tax and motor vehicle tax must obtain an import licence from the DSE or the Transport Bureau, respectively, and the corresponding taxes must be paid before the goods are cleared at Customs. There is no value added tax in Macao, China.

3.50. During the period under review, the consumption tax on tobacco products was increased through Law No. 9/2015 (the latest amendment to Law No. 4/99/M), as part of measures to discourage public smoking. Likewise, the tax rate on motor vehicles and motorcycles was raised through Law No. 14/2015, which amended Law No. 5/2002 (Table 3.6). The motor vehicle tax is progressive, based on the taxable value of new motor vehicles. Transactions of second-hand motor vehicles are not subject to this tax. There is also a tax exemption for environmentally friendly motor vehicles.⁵¹

3.51. Stamp duty is levied, at varying rates, on most business transactions (such as the lease, sale or transfer of immovable property, the sale of shares, and the transfer of other assets). With the aim of discouraging speculation in the real estate market, a special stamp duty is imposed on transfers of residential and commercial immovable property, and office or parking space, that is sold within two years of its purchase. The rate is 20% if the sale takes place within the first year of acquisition, and 10% within the second year. Acquisition of immovable property for residential use by a legal person or a non-resident is subject to an extra stamp duty of 10%. Moreover, an additional stamp duty, at a rate of 5%, is applied on the acquisition of a second residential property, and at a rate of 10% on the acquisition of a third or more residential property if the buyer owns other residential property at the time of acquisition. Tourism tax is levied on all services provided by hotels

⁵¹ Revised Regulation on Motor Vehicle Tax (Law No. 1/2012).

and similar establishments, health clubs, saunas, massage parlours, karaoke bars, and holiday resorts, at a rate of 5%.

Table 3.6 Consumption tax and motor vehicle tax rates, 2012 and 2019

Products	Tax rate 2012	Tax rate 2019
Consumption tax on alcoholic beverages		
Alcoholic beverages with alcohol content of 30% or more (rice wine excepted)	10% on c.i.f. value plus MOP 20.00/litre	10% on c.i.f. value plus MOP 20.00/litre
Consumption tax on tobacco products		
Cigars	MOP 1,442.00/kg	MOP 4,326.00/kg
Cigarettes	MOP 0.50/unit	MOP 1.50/unit
Other products containing tobacco or tobacco substitutes, or other compounds added to tobacco	MOP 200.00/kg	MOP 600.00/kg
Motor vehicle tax		
Newly imported automobiles	30% to 55%	40% to 72%
Newly imported motorcycles	10% to 30%	24% to 50%

Source: Information provided by the authorities.

3.52. Temporary tax relief measures are approved in the government budget every financial year (FY); some of them have remained in place for several years. Table 3.7 summarizes the tax relief measures granted for FY 2019 under Law No. 19/2018.⁵² For example, the tax-exempt threshold for the profits tax was increased from MOP 32,000 to MOP 600,000 for income derived in the tax year 2018. Also, in order to encourage innovation and to support the development of the Guangdong-Hong Kong-Macao Greater Bay Area, companies were allowed to deduct from their taxable revenues for FY 2019 300% of the first MOP 3 million spent on R&D activities, and 200% of any additional R&D expenditure, subject to a maximum limit of MOP 15 million. Moreover, with the aim of promoting featured financial services, Macao, China companies were exempt from tax on profits deriving from their investments in bonds issued by the Mainland authorities or state-owned enterprises made available for acquisition in Macao, China; and the issue and acquisition of such bonds was exempt from the applicable stamp duty for FY 2019. Likewise, with the objective of increasing supply and helping reduce prices in the real estate leasing market, the urban property tax rate for leased premises was reduced from 10% to 8% for FY 2019.

Table 3.7 Tax relief measures for FY 2019

Tax	Incentives
Profits tax	<ul style="list-style-type: none"> - The tax-free income threshold for the profit tax was increased from MOP 32,000 to MOP 600,000 for income derived in FY 2018. Income over MOP 600,000 is taxed at 12%. - Companies may deduct from their taxable revenues 300% of the first MOP 3 million spent on qualifying R&D activities, and 200% of any additional R&D expenditure, subject to a limit of MOP 15 million. - Income received from, or derived in, Portuguese speaking countries is exempt from profits tax, provided such income is subject to tax in its place of origin. - Interest and capital gains derived from bonds issued in Macao, China by the Central Government, regional governments and central enterprises of China are exempted from profits tax.
Salary tax	The tax-free threshold for the salary tax was increased to MOP 144,000, and there is a tax payment deduction of 30%.
Business registration tax (or industrial tax)	Commercial and industrial operations continue to be exempt from the annual industrial tax.
Property tax	<p>The standard MOP 3,500 reduction in property tax liabilities continues to be available for both self-use and rental properties. This incentive does not apply to corporate property or property of non-residents.</p> <p>The property tax rate for rental properties was reduced to 8%.</p>
Tourism tax	Restaurants continue to be exempt from tourism tax.
Stamp duty	<ul style="list-style-type: none"> - Exemption for insurance contracts and banking services charges. - Exemption on all admission tickets for performances, exhibitions, and entertainment. - Exemption for debt instruments issued, sold, or transferred in Macao, China by the Central Government, local governments, or SOEs of China. - Exemption for auctions of products and of movable and immovable property.

Source: WTO Secretariat, based on Law No. 19/2018, and the budget for FY 2019.

⁵² Financial Services Bureau. Viewed at: http://www.dsfgov.mo/tax/tax_benefit.aspx?lang=en.

3.53. In 2020, in order to help cope with the adverse effects of the COVID-19 pandemic, Law No. 3/2020 (which amended the 2020 Budget, Law No. 22/2019) was approved to provide temporary exemptions or deductions from several direct and indirect taxes (Table 3.8). This Law became effective on 18 April 2020.

Table 3.8 Tax-related measures taken in response to the COVID-19 pandemic

Type of tax	Measure
Tourism tax	Exemption for six months (from 1 May 2020) for establishments providing services, such as hotels, nightclubs, bars, gyms, saunas, massage parlours, and karaoke venues.
Profits tax	- Deduction for the year 2019, subject to a ceiling of MOP 300,000. - For the calculation of tax for profit tax taxpayers and the second group of salary tax taxpayers (self-employed professionals), donations (cash and goods in relation to the support of the COVID-19 pandemic) to: public organizations and charitable organizations established in Macao, China or Mainland China; and to governments at the county level or above and their departments in Mainland China are considered as expenses or losses.
Salary tax	- Increase of the salary tax deduction rate of taxable personal income tax for 2020 from 25% to 30%. - The percentage of the salary tax rebate for residents for 2018 was increased from 60% to 70%. The ceiling of such rebate was increased from MOP 14,000 to MOP 20,000.
Property tax	- Exempted on all residential properties held by residents for 2019. - In addition to an initial property tax reduction of MOP 3,500, a waiver of 25% of the property tax charged on commercial establishments.
Stamp duty	Exempted on the issuance and renewal of 2020 licences and administrative licences.
Vehicle licence fee	Exempted for 2020 for buses, taxis, vans, trucks, school buses, Macao-Hong Kong cross-boundary hire cars, and vehicles registered by hotels, travel agencies and hire car operators.

Source: Information provided by the authorities.

3.3.1.2 Incentives

3.54. The Government offers several incentive schemes across economic activities in order to attract businesses to establish and operate in the territory. The support measures may take the form of tax incentives, financial support, or other forms of assistance. There are also incentives to promote the development of particular industries, such as local fisheries, tourism, and the MICE industry (Section 4).

3.3.1.2.1 Tax incentives

3.55. Tax incentives are granted for projects that benefit Macao, China's development. These measures remained largely unchanged during the period under review. The most common type of incentive remains the reduction of profits tax. Tax incentives are applied equally to foreign and local enterprises. In 2019, revenue forgone as result of profits tax exemptions and reductions amounted to MOP 7.6 billion, of which 92.7% was in the gaming industry (Table 3.9).

Table 3.9 Estimated tax revenues forgone, 2013-19

(MOP million)

Tax	2013	2014	2015	2016	2017	2018	2019
Profits tax	6,307.5	7,180.2	8,425.7	6,171.8	5,175.7	6,342.0	7,616.0
on gaming	6,081.4	6,698.3	7,893.7	5,720.3	4,750.4	5,850.7	7,066.9
other	226.1	481.9	532.0	451.5	425.3	491.3	549.1

Source: Information provided by the authorities.

3.56. Under Law No. 1/86/M on Tax Incentives within the Scope of Industrial Policy (unchanged since 1993), Macao, China offers full or partial tax exemptions to enterprises that undertake activities related to the manufacturing sector, particularly those that promote the growth and development of the local industry by increasing productive efficiency and the technological level, expanding the product mix, or improving other production activities.⁵³ The main tax incentives granted to companies in the manufacturing sector include: a 50% reduction on profits tax; a 50% reduction on stamp duty on property transfers; exemption from property tax; and exemption from industrial tax (i.e. business registration tax). To be eligible for these incentives, enterprises must

⁵³ Law No. 1/86/M, amended by Decree-Law No. 35/93/M.

engage in qualifying industrial processing activities, and undertake investment projects, such as construction, expansion, reorganization or reconversion of industrial establishments.⁵⁴

3.57. Similar incentives are granted to investments in qualifying tourism facilities, with the aim of promoting the tourism industry. They include an extended property tax exemption period, exemption from industrial tax, a reduction in stamp duty, and the acceleration of depreciation for profits tax purposes.⁵⁵

3.58. Approved offshore institutions have been exempt from profits tax, industrial tax and stamp duties for many years. Moreover, their managers and high-level specialists holding resident permits are exempt from professional (salary) tax for the first three years of employment.⁵⁶ The offshore regime will, however, be abolished on 1 January 2021. The existing approved offshore institutions will continue to operate until the end of 2020 under transitional arrangements but, on 1 January 2021, their operating licences will become invalid, and these institutions will transit to the onshore regime.

3.3.1.2.2 Financial incentives and other forms of assistance

3.59. Macao, China offers a number of non-tax incentives, mainly in the form of financial support targeted towards investment projects, SMEs, and young entrepreneurs.

3.60. The Enterprise Financing Loan Interest Subsidy Scheme (Administrative Regulation No. 16/2009, amended by Administrative Regulation No. 10/2011) provides financial incentives to enterprises investing in Macao, China, through a loan interest-rate subsidy. The aim is to encourage enterprises to undertake investment that is beneficial to domestic economic development, by facilitating economic diversification, strengthening environmental protection, promoting technological innovation and transformation, and enhancing enterprises' competitiveness and modernization. All locally registered enterprises are eligible for the interest-rate subsidy, except financial institutions/financial services providers and enterprises operating under public concessions or sub-concessions.

3.61. Beneficiary enterprises are entitled to an interest-rate subsidy of 4 percentage points per annum for a maximum of four years, starting from the date of repayment.⁵⁷ The amount of subsidy for each period is calculated based on the outstanding principal. The maximum amount of loan eligible for subsidy is MOP 10 million per beneficiary per year. Loans eligible for the interest-rate subsidy must be used for the following investment projects: purchase of facilities located in industrial and commercial premises; construction and expansion of facilities; refurbishment or renovation of facilities; purchase of equipment, machinery or new dedicated load-vehicles; purchase of computer software for production processes or business operation; acquisition of IPRs; signing of commercial licensing and franchising contracts; purchase of energy-efficient equipment or materials, or purchase of energy-management systems and related monitoring and analysis equipment; or purchase and installation of heating/cooling systems operating on renewable energy. Between 2013 and 2019, a total of MOP 2.4 billion of subsidized loans were granted (averaging MOP 341.9 million a year) to 575 investment projects (Table 3.10).

3.62. Given the significant contribution of SMEs to the domestic economy and employment, promoting their development and competitiveness constitutes a long-term government policy. Support to SMEs is provided through three instruments: the SME Aid Scheme, the SME Credit Guarantee Scheme, and the SME Credit Guarantee Scheme Designated for Special Projects. All three Schemes were modified during the period under review to expand their scope. To be eligible under any of these Schemes, an individual entrepreneur or an enterprise must meet the following requirements: be registered at the Financial Services Bureau as a tax contributor with no outstanding

⁵⁴ IPIM, "Why invest in Macao". Viewed at https://ipim.b-cdn.net/wp-content/uploads/2018/06/INVESTING_eng_2018_11.pdf.

⁵⁵ Decree-Law No. 81/89/M.

⁵⁶ Decree-Law No. 58/99/M and its supplementary regulations.

⁵⁷ For example, if the loan interest rate is 6%, the borrowing enterprise will only pay the difference, i.e. 2%. The subsidy amount is subject to the actual loan interest rate if the rate is less than 4%.

liabilities; have less than 100 employees working in Macao, China; and more than 50% of the business's capital must be held by residents of Macao, China.⁵⁸

Table 3.10 Enterprise financing loan interest subsidy scheme, 2013-19

Year	No. of approvals	Usage of approved interest-subsidized loan (number of projects)				Granted subsidized-loan amount (MOP)
		Purchase of premises	Construction/ expansion/ renovation/ refurbishment of facilities	Purchase of equipment, machinery, or dedicated load- vehicles	Others	
2013	102	44	4	55	1	358,731,363
2014	98	44	16	47	0	437,638,289
2015	80	21	13	50	4	292,774,003
2016	98	23	18	65	1	397,427,356
2017	93	33	15	47	1	385,486,113
2018	65	26	11	26	3	310,609,635
2019	39	19	7	18	1	211,650,052

Source: Information provided by the authorities.

3.63. The SME Aid Scheme (Administrative Regulation No. 9/2003 and amendments⁵⁹) provides interest-free financial assistance to help SMEs improve their business operations and adapt to rapidly changing economic conditions. Financial support can be used for: purchasing equipment for operation, renovation, refurbishment and expansion of projects; signing commercial concession or franchising contracts; acquiring exclusive rights to use technology and intellectual property; advertising and promotional activities; enhancing capabilities to improve operations and competitiveness; as working capital; and for coping with financial difficulties directly caused by extraordinary, unpredictable or *force majeure* events (e.g. natural disasters and epidemic diseases). The maximum amount of financial aid is MOP 600,000 per SME (unchanged since 2012), and the maximum loan repayment period is eight years. Under Administrative Regulation No. 15/2017 (effective on 23 May 2017), eligible SMEs that have fully repaid their previous loans may apply for aid under the Scheme for a second time (prior to this amendment, SMEs could only apply for assistance once). Between 2013 and 2019, the total amount of aid granted under this Scheme was MOP 1.6 billion, averaging MOP 234.7 million a year (Table 3.11). In order to help SMEs cope with the effects of the recent COVID-19 pandemic, the Scheme was revised through Administrative Regulation No. 4/2020. Accordingly, the minimum operating time required for SMEs to be eligible under the Scheme was reduced from two years to one. As per Chief Executive Order No. 57/2020, the implementing period of this measure is from 10 March to 10 September 2020.

Table 3.11 Support to SMEs, 2013-19

(Number and MOP million)

	2013	2014	2015	2016	2017	2018	2019
SME Aid Scheme							
No. of approvals	722	623	522	515	629	696	500.0
Total amount of aid granted	265.0	247.9	198.2	197.6	244.9	288.7	201.2
SME Credit Guarantee Scheme							
No. of approvals	81	53	61	62	55	78	46
Total amount of credit guaranteed	157.3	105.0	100.4	125.3	93.0	166.7	88.8
SME Credit Guarantee Scheme Designated for Special Projects							
No. of approvals	4	0	1	3	2	0	0
Total amount of credit guaranteed	3.9	0	1.0	3.0	2.0	0	0

Source: Information provided by the authorities.

3.64. Under the SME Credit Guarantee Scheme (Administrative Regulation No. 19/2003 and amendments⁶⁰), the Government provides each SME with a credit guarantee equivalent to 70% of the loan approved by a participating bank or financial institution (currently 17 banks/financial institutions participate in this Scheme). The maximum amount of guarantee provided was increased from MOP 3.5 million (unchanged since 2009) to MOP 4.9 million in May 2017 by Administrative Regulation No. 16/2017. The amount of the guarantee excludes interest and any other expenses

⁵⁸ IPIM, "Why invest in Macao". Viewed at: https://ipim.b-cdn.net/wp-content/uploads/2018/06/INVESTING_eng_2018_11.pdf.

⁵⁹ Administrative Regulation No. 9/2003 was amended by Administrative Regulations No. 14/2006, No. 2/2009, No. 11/2012, No. 15/2017, and No. 4/2020.

⁶⁰ Administrative Regulation No. 19/2003 was amended by Administrative Regulations No. 19/2009 and No. 16/2017.

related to amortization. The maximum loan repayment period is five years, counting from the drawdown date. Applicants must be proper SMEs that have been registered in Macao, China for at least one year. From 2013 to 2019, credit guarantees approved under this Scheme amounted to MOP 793.7 million (Table 3.11).

3.65. The SME Credit Guarantee Scheme Designated for Special Projects (Administrative Regulation No. 19/2003 and amendments)⁶¹ offers credit guarantees of up to 100% of loans approved by participating banks or financial institutions, with a ceiling of MOP 1 million (excluding interest and other expenses related to amortization). The purpose is to help SMEs finance special projects, such as business model innovation and transformation; promotion and advertising of their brands; improvement of product quality; and to resolve short-term financial difficulties arising from extraordinary or unpredictable events beyond human control, such as natural disasters and epidemics. Since 23 May 2017, credit guarantees may also be provided to assist SMEs develop new businesses. The credit guarantee period is limited to a maximum of five years, counting from the drawdown date. Applicants must be proper SMEs that have been registered in Macao, China for at least three years. During the period under review, the Government provided MOP 9.9 million in credit guarantees under this Scheme; however, the credit guarantees were not used in 2018 and 2019.

3.66. In March 2020, a new measure, the SME Bank Loan Interest Subsidy Scheme, was introduced, through Administrative Regulation No. 5/2020, in order to provide an interest subsidy for SMEs facing difficulties due to the COVID-19 pandemic. Beneficiary enterprises are entitled to loans at an interest rate with a subsidy of a maximum of 4 percentage points per year for a maximum bank loan of MOP 2 million, for a period of up to three years. As per Chief Executive Order No. 66/2020, the implementation period of this measure is six months, from 17 March to 17 September 2020.

3.67. The Young Entrepreneurs Aid Scheme (Administrative Regulation No. 12/2013) was established in 2013 in order to assist young local entrepreneurs to start up a business and to ease their financial burden during the early stages of the business operation. The Scheme provides interest-free loans with a ceiling of MOP 300,000 per enterprise and a maximum repayment period of eight years. Young local entrepreneurs, and companies in which over 50% of the capital is held by young entrepreneurs, are eligible for funds. The loans can be used for: the purchase of equipment for business operations; the renovation and refurbishment of facilities; signing commercial or franchising contracts; the acquisition of exclusive rights to use technology or IPRs; advertising and promotional activities; and as working capital. Administrative Regulation No. 22/2017 (effective since 15 August 2017) amended the Scheme in order to expand its scope. Some of the conditions for application were relaxed, paperwork was minimized, and eligibility was extended to experienced entrepreneurs (i.e. not start-ups). From 2013 to 2019, the loans granted under this Scheme totalled MOP 353.5 million (Table 3.12).

Table 3.12 Young Entrepreneurs Aid Scheme, 2013-19

(Number and MOP million)

	2013	2014	2015	2016	2017	2018	2019
No. of approvals	77	288	287	270	234	208	177
Total amount of aid granted	18.5	69.0	68.4	63.0	53.8	44.9	35.9

Source: Information provided by the authorities.

3.68. The Government grants subsidies to companies in order to promote job creation in favour of targeted social groups. Three types of subsidies are granted through the Social Security Fund to encourage enterprises to hire: (i) unemployed people; (ii) young first-time job seekers; and (iii) persons with disabilities. In the first case, subsidies may be granted to companies hiring persons who have been unemployed, provided they have registered with the Employment Promotion Division of the Labour Affairs Department (*Direcção dos Serviços para os Assuntos Laborais* (DSAL)) and have been confirmed as individuals having difficulties finding a job in the labour market. The maximum amount of the subsidy is MOP 13,800 (granted in six monthly instalments) per person employed. In the second case, subsidies may be granted to companies employing young people (aged under 26) with no work experience, who are registered with the Employment Promotion Division of the DSAL. The amount of the subsidy, which is paid in six monthly instalments, is MOP 12,000 per person with secondary education, and MOP 15,000 per person with tertiary

⁶¹ Administrative Regulations No. 19/2009 and No. 16/2017.

education. In both cases, the employer undertakes to provide all necessary support to help employees adapt to their positions.

3.69. Subsidies may also be granted to enterprises or non-governmental organizations implementing projects for people with physical or mental disabilities, such as community-based vocational training and sheltered workshops, with work opportunities. The total amount of subsidy for any approved project is MOP 500,000, and subsidies are paid out by the Administrative Council of the Social Security Fund, with the favourable opinion of the DSAL and the approval of the Secretary for Economy and Finance. Employers are also eligible for reductions in their profits tax or salary tax for each disabled person hired.⁶²

3.3.2 Standards and other technical requirements

3.70. As mentioned in the last Review, Macao, China does not have an integrated regime for standardization, accreditation and certification in different sectors of activities. Consequently, there is no official standardization body. Macao, China does not establish its own standards but adopts prevailing international standards and technical requirements. The Macao Economic Bureau (*Direcção dos Serviços de Economia*, DSE) is Macao, China's National Enquiry Point for the TBT Agreement.

3.71. There are no specific procedures to develop technical regulations. However, when a product becomes subject to a licensing requirement, the corresponding standard becomes mandatory and, therefore, it becomes a technical regulation. According to the authorities, these technical regulations are always based on international standards, as Macao, China does not develop its own standards, but resorts to adopting international or overseas standards, where appropriate. In addition, Macao, China recognized a series of product safety standards from China and overseas under Administrative Regulation No. 17/2008. During the review period, Macao, China made 12 notifications to the WTO under the TBT Agreement, all in September 2019 (Table 3.13).⁶³ They refer to vehicle emissions, used motor vehicles, pollutants in gasoline, pharmaceuticals, tobacco products, heaters, packaging, lights, and domestic appliances. All these technical regulations were in place at the date they were notified; some of them had been in force for several years. In this respect, the authorities mentioned that this was due to human resource constraints, and that they would make an effort to fulfil their notification obligations in a timely manner. They also noted that, during the review period, a number of international standards were implemented with a view to supplementing the relevant laws and enhancing regulatory efforts. The recognized safety standards apply to all related products, both imported and locally produced.

3.72. During the period under review, two technical regulations were issued or revised in order to better regulate the import registration of pharmaceutical products. In 2013, Health Bureau Decision No. 10/SS/2013 on maximum limits of heavy metals and toxic elements in traditional medicinal products was enacted.⁶⁴ This Decision is a revision of a technical regulation previously imposed in 2003. The second, Health Bureau Decision No. 04/SS/2016, was adopted in 2016 to stipulate an additional documentation and assessment requirement for the import registration of pharmaceutical products containing new chemical entities.⁶⁵ The Health Bureau also issued a technical regulation with respect to the labelling of medicines.⁶⁶

3.73. Apart from those notified, technical regulations also apply to imports of goods, such as radiocommunication equipment, products used in civil engineering, and pressure-reduction stations. Overseas testing results are accepted as a useful reference for licensing purposes. Technical regulations (compulsory standards) for radio-telecommunication equipment are based on ITU standards, and imports are subject to licensing, to ensure that technical regulations are met. Test

⁶² Law No. 8/2018, Tax Incentive Programme for Hiring Disabled Persons.

⁶³ Macao, China made 18 notifications to the TBT Committee between 1 January 1995 and end-September 2019. WTO, *TBT IM*. Viewed at: <http://tbtrims.wto.org/en/Notifications/Search?ProductsCovered=HSCodes=&ProductsCoveredICSCodes=&DoSearch=True&ExpandSearchMoreFields=False&NotifyingMember=Macao%2C+China&DocumentSymbol=&DistributionDateFrom=01%2F01%2F1995&DistributionDateTo=24%2F09%2F2019&SearchTerm=&ProductsCovered=&DescriptionOfContent=&CommentPeriod=&FinalDateForCommentsFrom=&FinalDateForCommentsTo=&ProposedDateOfAdoptionFrom=&ProposedDateOfAdoptionTo=&ProposedDateOfEntryIntoForceFrom=&ProposedDateOfEntryIntoForceTo=>.

⁶⁴ WTO document G/TBT/N/MAC/8, 19 September 2019.

⁶⁵ WTO document G/TBT/N/MAC/11, 19 September 2019.

⁶⁶ WTO document G/TBT/N/MAC/7, 19 September 2019.

results and certificates issued by the manufacturers or other authorities are accepted as a reference for licensing purposes. Radiocommunication equipment, such as conventional radio telephones and pagers, must pass type-approval tests.⁶⁷ Type-approval certificates are issued by the Macao Post and Telecommunications Bureau. There are two technical standards for type-approval tests, which are mainly derived from European Telecommunications Standards Institute (ETSI) standards.

Table 3.13 Technical regulations notified to the WTO, September 2019

Agency responsible	Products covered	Title	Date of entry into force
Transport Bureau	Newly imported motorcycles (including mopeds); diesel vehicles; heavy-duty compressed natural gas vehicles; heavy-duty gasoline vehicles; and newly imported vehicles	1. Approving the Gas Pollutant Emission Parameter Table (vehicles equipped with four-stroke engines) 2. Setting the requirements on tailpipe emission limits for imported new vehicles 3. Approving the Tailpipe Emission Standards and On-board Diagnostics System Specifications	1. 20 November 2018 (for newly imported motorcycles) 2. 21 May 2019 (for diesel vehicles, heavy-duty compressed natural gas vehicles and heavy-duty gasoline vehicles) 3. 20 November 2018 (for newly imported vehicles)
Transport Bureau	Protective moped and motorcycle helmets	Approving the Models of Protective Helmets for Drivers and Passengers of mopeds and Motorcycles	13 June 2017
Transport Bureau	Used motor vehicles; heavy passenger vehicles	Regulating Import of Motor Vehicles and Heavy Passenger Vehicles	2 April 2019
Transport Bureau; Environmental Protection Bureau	Unleaded gasoline and light diesel oil for vehicles	Standards for Unleaded Gasoline and Light Diesel Oil for Vehicles	14 July 2016
Health Bureau	Radioactive pharmaceuticals; medicines; proprietary Chinese medicines and traditional medicines	1. Regulation on Labelling of Radioactive Pharmaceuticals 2. Regulation on Labelling of (Western) Medicine Packages 3. Regulation on Labelling of Proprietary Chinese Medicines and Traditional Medicine Packages	1 June 2005 (for radioactive pharmaceuticals) 10 August 2005 (for medicines and proprietary Chinese medicines and traditional medicines)
Health Bureau	Proprietary Chinese medicines; traditional medicines	1. Micro-organism Limits for Proprietary Chinese Medicines and Traditional Medicines 2. Technical Instruction on the Upper Limits of Heavy Metals and Toxic Elements in Traditional Medicines	1. 1 June 2004 2. 18 July 2013
Health Bureau	Tobacco products	Smoking Prevention and Control Regime. Republication of Law No. 5/2011 (Smoking Prevention and Control Regime), as amended by Law No. 9/2017	26 February 2018
Health Bureau	Pharmaceuticals of bovine origin	Regulation on Import of Pharmaceuticals of Bovine Origin	2 July 2001
Health Bureau	Imported new pharmaceuticals containing new active pharmaceutical ingredients	Technical Instruction on Documents Required for Importing New Pharmaceuticals	24 March 2016
Macao Economic Bureau (DSE)	Flueless gas water heaters	Prohibiting Import of Flueless Gas Water Heaters	12 January 2011
DSE	Locally originated or imported pre-packaged or non-pre-packaged food products, excluding non-pre-packaged fresh food products and beverages of an alcoholic strength by volume exceeding 5%	Amending Decree-Law No. 50/92/M of 17 August 1992	28 February 2005

⁶⁷ Provisions in Decree-Law No. 48/86/M. Viewed at: <http://images.io.gov.mo/bo/i/86/44/dl-48-86-cn.pdf>.

Agency responsible	Products covered	Title	Date of entry into force
DSE	Lights; domestic appliances; sound equipment and audiovisual equipment; information technology equipment; hand-held power tools; toys	Recognizing the Safety Standards for Products under the Categories of Lights, Domestic Appliances, Sound Equipment and Audio-Visual Equipment, Information Technology Equipment, Hand-held Tools, as well as Toys	29 June 2014

Source: WTO documents G/TBT/N/MAC/3; G/TBT/N/MAC/4; G/TBT/N/MAC/5; G/TBT/N/MAC/6; G/TBT/N/MAC/7; G/TBT/N/MAC/8; G/TBT/N/MAC/9; G/TBT/N/MAC/10; G/TBT/N/MAC/11; G/TBT/N/MAC/12; G/TBT/N/MAC/13; and G/TBT/N/MAC/14, all of 19 September 2019.

3.74. Macao, China also applies technical regulations (compulsory standards) for gas emissions of newly imported automotive vehicles (including motorcycles), in accordance with Administrative Regulations No. 1/2012 and No. 1/2008. According to Annexes I and II of Administrative Regulations No. 1/2012 and No. 1/2008, the compulsory standards applied for the importation of automotive vehicles are based on standards implemented in the United States, the European Union, Japan, and China.⁶⁸

3.75. Compulsory standards are also applied to imports of engineering equipment, which additionally require an import licence to ensure compliance with the technical standards applicable, namely the Macao Codes for Civil Engineering Activities. The Codes were prepared by the Civil Engineering Laboratory of Macau, following, according to the authorities, an in-depth analysis of the corresponding codes and standards used in China, the European Union, the United States, and Hong Kong, China. These codes and standards are now part of the legal framework governing civil engineering activities in Macao, China.

3.76. Technical regulations also exist for pressure-reduction stations, as per Administrative Regulation No. 21/2016 on Technical Regulation of the Pressure Reduction Stations to be Installed in Combustible Gas Transportation and Distribution Pipelines, which governs the design, installation, operation and inspection of pressure-regulating systems (PRSs) fitted in gas transmission and distribution systems. The authorities noted that this Regulation includes aspects such as the definition of the type of PRS, the safety distance to the PRS, and the protection of PRSs, among other issues. Chief Executive Decision No. 61/2014, of 20 March 2014, which superseded Chief Executive Decisions No. 191/2008 and No. 439/2009, updated the list of safety requirements for luminaries, and electrical appliances.⁶⁹

3.77. Since 2013, Macao, China has adopted 11 food safety standards (Section 3.3.3).

3.78. Macao, China does not have an overall conformity assessment structure for standardization, accreditation or certification. It does not participate in international agreements or bilateral arrangements (including mutual recognition agreements (MRAs)) in the area of standards, testing, and certification. The authorities noted that, despite this and notwithstanding the small number of technical regulations in place, there has been an increasing interest from producers and service providers to meet international standards. In this respect, the trend of seeking voluntary management system certification, such as ISO 9001 and ISO 14001, by local enterprises or organizations continued to increase during the review period. The Macao Productivity and Technology Transfer Centre (CPTTM), a non-profit association jointly established by the Government and the private sector, is the ISO correspondent member. According to available data, by the end of 2018, the number of ISO 9001 and ISO 14001 certificates amounted to 215 (compared with 7 in 1996) and 73 (up from 3 in 1999), respectively. There were certifications in other areas, too. For example, at least 21 local enterprises or organizations were certified under the ISO 22000 Food Safety Management System, as at December 2018; at least 6 were certified under ISO/IEC 20000 IT Service Management; at least 12 under ISO/IEC 27001 Information Security Management; and at least 2 under ISO 50001 Energy Management System. The services sector, the

⁶⁸ WTO document G/TBT/N/MAC/3, 19 September 2019.

⁶⁹ Chief Executive Decision No. 61/2014 applies to lights, domestic appliances, audio and video electronic apparatus, information technology equipment, handheld motor-operated electric tools, toys, and children's products. The revised Decision added extension sockets and adaptors listed under the category of electrical appliances to its regulatory scope. The Decision may be viewed (in Portuguese) at: <https://bo.io.gov.mo/bo/i/2014/13/despce.asp#61>.

engineering/construction sector, and the manufacturing sector are the top three sectors using ISO management system certifications.

3.79. In 2018, the Industrial Association of Macao and the CPTTM co-launched the Macao Product Quality Certification Scheme, a voluntary scheme aiming to encourage local enterprises to adopt product quality certification as a means to enhance customer confidence and market competitiveness, thereby supporting the development of the industrial sector.

3.80. In the absence of an official standards or accreditation body, Macao, China does not have a laboratory accreditation scheme. Macao, China laboratories must seek accreditation from bodies in Mainland China, Hong Kong, China, and abroad. The authorities noted that, as in the case of ISO management system certification, a number of local laboratories took the initiative to seek recognized accreditation from the China National Accreditation Service for Conformity Assessment (CNAS), the Hong Kong Accreditation Service, or other overseas accreditation bodies, such as the Portuguese Institute of Accreditation, or the National Association of Testing Authorities of Australia (NATA). In 2020, there were nine accredited laboratories in Macao, China, from bodies in Australia; China; Hong Kong, China; and Portugal (Table 3.14).

Table 3.14 Accredited laboratories, 2020

Name	Nature	Accredited by	Scope
Macao Cement Manufacturing Co. Ltd.	Company-owned	Hong Kong Accreditation Service (HKAS)	Construction materials – cement (chemical analysis)
Civil Engineering Laboratory of Macau	Government-related	Portuguese Institute of Accreditation (IPAC) China National Accreditation Service for Conformity Assessment (CNAS)	Calibration of instruments for the measurement of mass, force, or length Concrete testing, aggregates, soil testing and rock testing, pile testing, foundation-monitoring, flat glass, steel bars, metallic materials, cement testing
Macao Water Supply Co. Ltd. – Analysis Division, Laboratory and Research	Company-owned	CNAS	Drinking water and source water
Civic and Municipal Affairs Bureau – Laboratory	Government laboratory	CNAS	Food and water (microbiological and chemical testing)
Health Bureau – Public Health Laboratory	Government laboratory	CNAS	Clinical specimens, food, vegetables, cosmetics, drugs, water and waste water, sediment
Macao Institute for Applied Research in Medicine and Health – Chinese Medicines and Food Safety Laboratory	University-related	National Association of Testing Authorities of Australia (NATA)	Biological and chemical testing
University Hospital – Clinical Laboratory	University-related	NATA	Chemical pathology
China Certification and Inspection Group Macau Company Limited	Private laboratory	CNAS	Health – medical examination, vaccine, medical treatment Safety – testing services for import and export goods in China
Alliance Testing Company Limited	Private laboratory	CNAS	Construction activities and materials

Source: Information provided by the authorities.

3.81. Food labelling is regulated under Decree-Law No. 50/92/M, as amended, Decree-Law No. 56/94/M, and Administrative Regulation No. 7/2004. Chief Executive Decision No. 556/2009, of 11 January 2010 contains a list of generic food additive names that are used for labelling. The packaging and labelling of medicines and traditional Chinese medicines is regulated by Technical Instructions No. 3/2005 and No. 4/2005 of the Macao Health Bureau, which were notified to the WTO in September 2019.⁷⁰ Pharmaceutical products and traditional Chinese medicines that enter Macao, China must have received prior approval from the Health Bureau. There are currently no eco-labelling initiatives, or labelling requirements on genetically modified organisms. The authorities noted that they have no plans in this respect. There is no automatic mechanism of revision of TBT measures. Macao, China noted that the authorities responsible for technical regulations review the

⁷⁰ WTO document G/TBT/N/MAC/7, 19 September 2019.

TBT measures in place to assess whether they are in line with international standards and practice, and in response to specific needs.

3.3.3 Sanitary and phytosanitary requirements

3.82. The main legislative measures with respect to sanitary and phytosanitary (SPS) requirements are contained in Administrative Regulation No. 40/2004. The Municipal Affairs Bureau of Macao (*Instituto para os Assuntos Municipais*, IAM) is responsible for formulating and implementing SPS regulations and measures and is the SPS enquiry point for the WTO.⁷¹

3.83. Macao, China maintains a list of products by HS heading subject to SPS inspection (SPS Table), which is reviewed periodically, and at least when there is a change in HS nomenclature. The list was most recently amended on 1 January 2017⁷², mainly to reflect the adoption of the 2017 HS nomenclature. Products subject to inspection include most plants, flowers, fruit and vegetables, animals, fish, animal products, ice cream, and sugar cane (Table 3.15). These products are listed in Annex III to Chief Executive Decision No. 487/2016, of 28 December 2016.

Table 3.15 Products subject to SPS inspection, 2019

Product	HS code
Live animals	Chapter 1
Meat and meat products	Chapter 2
Fish and crustaceans, molluscs, etc., except those classified under HS headings 0301.11.00 and 0301.19.00	Chapter 3
Milk and milk products, except those under HS heading 0402.21.20; honey; other products of animal origin	Chapter 4
Animal products; guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked	0504.00.00
Animal products, not classified elsewhere	0511.10.00, 0511.99.90
Bulbs, tubers, tuberous roots, corms, crowns and rhizomes; dormant, in growth or in flower; chicory plants and roots, other than roots of HS 1212	0601
Plants, live, not included in HS 0601, (including their roots) cuttings and slips; mushroom spawn	0602
Flowers; cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared	0603
Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens; suitable for bouquets or for ornamental purposes, fresh	Ex-0604.20
Vegetables and certain roots and tubers; edible	Chapter 07
Fruit and nuts, edible; peel of citrus fruit or melons	Chapter 08
Seeds, fruit and spores; of a kind used for sowing	1209
Sugar cane; fit for human consumption, fresh, chilled, frozen or dried, whether or not ground	Ex-1212.93.00
Pig fat (including lard) and poultry fat, other than that of headings 0209 or 1503	1501
Sausages and similar products of meat, meat offal or blood; food preparations based on these products	1601
Prepared or preserved meat, meat offal or blood	1602
Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	1604
Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	1605
Milk powder	1901.10.41, 1901.90.40
Ice cream and other edible ice, whether or not containing cocoa	2105
Cat- and dog-food	2309.10.10, 2309.10.90
Fertilizers, animal or vegetable, whether or not mixed together or chemically treated; fertilizers, produced by the mixing or chemical treatment of animal or vegetable products	3101.00
Animals from travelling circuses and travelling menageries	9508.10.20

Source: IAM, *Procedures for Processing Import License/Declaration and Advance Booking for Sanitary Inspection* (Annex 1). Viewed at: https://www.iam.gov.mo/publicFile/cdap/22/en/22Anexo_I_e_v2.pdf.

3.84. The importation of the products listed above requires an import licence, an import declaration, and a valid sanitary certificate(s) issued by the competent authorities of the exporting

⁷¹ IAM information. Viewed at: <https://www.iam.gov.mo/e/animal/scope>.

⁷² Annex I of the Macao, China Chief Executive Decision No. 486/2016, 3 January 2017.

country/region. The importer must also be registered in the IAM's Import Registry. Importers of these products must apply electronically or in person to the IAM for SPS inspection at least one working day prior to the arrival of the goods at the border. The IAM checks the SPS documentation, and its laboratory or a subcontracted laboratory may conduct random laboratory samplings of the goods to be imported, at the border. In some cases, there are additional requirements, for instance, as stated before, importers of species of animals and plants listed in the CITES must obtain import licences from the DSE before requesting an IAM SPS inspection. Inspections are subject to the payment of a fee, as stipulated in Chief Executive Decision No. 268/2003 of 1 December 2003, which varies according to the product (e.g. MOP 10.0 for certain ornamental plants with roots, MOP 3.0 for certain bulbs and tubers, and MOP 0.3 for eggs); fees did not change during the review period.⁷³ The authorities noted that the inspection fees are adjusted based on the needs and situation of Macao, China.

3.85. Control measures for pests and diseases follow China's AQSIQ Catalogue of Quarantine of Imported Organisms Contaminated with Pest and Disease. Under the CEPA, Macao, China signed two cooperation agreements with China concerning SPS issues: the Cooperation Arrangement on Inspection, Quarantines, and Food Safety, in 2004; and the Cooperation Arrangement on Inspections and Quarantines, in 2010. Moreover, under the CEPA Agreement on Trade in Goods, signed by China and Macao, China on 12 December 2018, Chapter 6 outlines the cooperation on SPS measures between the two sides. Both authorities agreed to strengthen cooperation on SPS, and to ensure transparency with respect to SPS measures and legislation.

3.86. During the review period, Macao, China made 14 notifications to the SPS Committee, including one correction.⁷⁴ Most of them related to food standards (see below). Of particular significance, is the notification of the Food Safety Law.⁷⁵ The notifications that followed correspond, to a large extent, to requirements under the Law, e.g. related to the content of pathogenic microorganisms.

3.87. Law No. 5/2013, the Food Safety Law, is to protect public health and safety by regulating food safety supervision and management, risk prevention, control and countermeasures, and incident management. The Law is applicable to food production, and the use of food additives and food-related products in commercial foodstuffs. According to the Law, food safety means having access to foodstuffs that are neither toxic nor harmful, have nutritive value, and do not cause "acute, sub-acute or chronic damage to human health".⁷⁶ The Law gives the IAM authority with respect to food safety, and establishes the obligation of public or private entities to provide assistance. In accordance with the Law, the IAM is responsible for: (i) coordinating food safety supervision and management; (ii) submitting proposals for the formulation of food safety policies; (iii) inspecting the premises or establishments where the production and marketing of foodstuffs is carried out; (iv) collecting samples, and examining and analysing the safety of foodstuffs; (v) monitoring and assessing food safety risks; (vi) preparing emergency plans for food security incidents; (vii) investigating and treating food security incidents; and (viii) implementing preventive and control measures, among others.

3.88. The Food Safety Law elaborates the establishment of food safety standards, risk monitoring, risk assessment, and prevention and control measures. It also contains a penalty system, including criminal liability and administrative penalties. The supervisory staff of the IAM enjoys public authority powers in the performance of its duties and may request the police authorities to provide the necessary support, in particular for search purposes or when it finds situations of opposition or resistance to the exercise of its duties.

3.89. The Law mandates that the production and marketing of foodstuffs, and the use of food additives and food-related products must satisfy food safety criteria, covering the following aspects:

⁷³ Chief Executive Decision No. 319/2016, Chapter VII (Veterinary and Phyto-sanitary Inspection), 5 September 2016. Viewed at: <https://bo.io.gov.mo/bo/i/2016/36/despce.asp#319>.

⁷⁴ WTO documents G/SPS/N/MAC/11, 3 June 2013 (Food Safety Law); G/SPS/N/MAC/12, 13 October 2014; G/SPS/N/MAC/13, 9 December 2014; G/SPS/N/MAC/14, 9 December 2014; G/SPS/N/MAC/14/Corr.1, 22 December 2014; G/SPS/N/MAC/15, 9 December 2014; G/SPS/N/MAC/16, 10 November 2015; G/SPS/N/MAC/17, 25 February 2016; G/SPS/N/MAC/18, 25 February 2016; G/SPS/N/MAC/19, 9 June 2016; G/SPS/N/MAC/20, 9 January 2017; G/SPS/N/MAC/21, 27 November 2017; G/SPS/N/MAC/22, 14 June 2018; G/SPS/N/MAC/23, 14 November 2018; and G/SPS/N/MAC/24, 20 March 2019.

⁷⁵ WTO document G/SPS/N/MAC/11, 3 June 2013.

⁷⁶ Law No. 5/2013, 22 April 2013, Article 3.5. Viewed at: <https://images.io.gov.mo/bo/i/2013/17/lei-5-2013.pdf>.

(i) standards for maximum levels of pathogenic microorganisms, pesticide residues, residues of veterinary medicinal products, heavy metals, radioactive substances, and substances harmful to human health contained in foodstuffs; (ii) types of food additives, their scope, and the limits of their use; (iii) requirements relating to the nutritional ingredients of foodstuffs intended exclusively for infants and children or other specific groups of persons; (iv) hygiene requirements in the production and marketing of foodstuffs; and (v) quality requirements related to food safety.

3.90. Chief Executive Writ of Instruction No. 245/2014 prohibits the importation, exportation or re-exportation of plant products that contain phytosanitary harmful organisms, as included in its appended list.⁷⁷

3.91. Since 2013, Macao, China has published 11 food safety standards, notified to the WTO as SPS measures. Among these, Administrative Regulation No. 6/2014 (List of prohibited substances for use in food) prohibits the use of certain substances during animal husbandry or food production, and in the circulation of foodstuffs. The Regulation is applicable to the entire food supply chain.⁷⁸ Administrative Regulation No. 16/2014 (Maximum limits of radionuclides in foodstuffs) establishes the maximum permitted levels of radionuclides in food after a nuclear or radiological emergency. Maximum limits are defined for two separate categories "infant food" and "other foods". The Regulation applies to all stages of the food business (Table 3.16).

Table 3.16 Food standards notified to the WTO since 2013

Regulation	Content
1. Administrative Regulation No. 13/2013	Maximum Residue Limits of Veterinary Drugs in Foodstuffs
2. Administrative Regulation No. 6/2014 (Amended by Administrative Regulation No. 3/2016)	List of Prohibited Substances for Use in Food
3. Administrative Regulation No. 16/2014	Maximum Limits of Radionuclides in Foodstuffs
4. Administrative Regulation No. 16/2015	Limits of Pathogenic Microorganisms in Powdered Infant Formula
5. Administrative Regulation No. 2/2016	Limits of Pathogenic Microorganisms in Milk Products
6. Administrative Regulation No. 13/2016	Maximum Limits of Mycotoxins in Food
7. Administrative Regulation No. 28/2016	Nutritional Requirements for Infant Formula
8. Administrative Regulation No. 30/2017	Standard for Uses of Food Colouring in Foodstuffs
9. Administrative Regulation No. 12/2018	Standard for Uses of Sweeteners in Foodstuffs
10. Administrative Regulation No. 23/2018	Maximum Limits of Heavy Metal Contaminants in Food
11. Administrative Regulation No. 7/2019	Standard for Uses of Preservatives and Antioxidants in Foodstuffs

Source: Information provided by the authorities.

3.92. As at June 2020, Macao China, maintained two active SPS measures which had the effect of prohibiting imports (Table 3.17). These measures are deemed to be temporary, although they have been in place for several years. These measures were notified to the WTO. Macao, China does not have an automatic mechanism of revision of SPS measures. The authorities noted that these measures are reviewed as needed and to ensure compliance with international standards. In the case of the measure applied on BSE-related products, in February 2014, Chief Executive Decision No. 27/2014 removed the prohibition of importing meat and meat products from the United Kingdom, which was applied under Chief Executive Decision No. 341/2007.⁷⁹ Chief Executive Decision No. 27/2014 also repealed Decision No. 25/GM/96.⁸⁰

Table 3.17 Active SPS measures in Macao, China, 2020

Products	Effective date	Reference
BSE-related products	31 December 2007	Chief Executive Decision No. 341/2007
Masked palm civet and related products	2 February 2004	Chief Executive Decision No. 8/2004

Source: Information provided by the authorities.

⁷⁷ WTO document G/SPS/N/MAC/12, 13 October 2014.

⁷⁸ WTO document G/SPS/N/MAC/13, 9 December 2014.

⁷⁹ Chief Executive Decision No. 27/2014. Viewed (in Portuguese) at: <https://bo.io.gov.mo/bo/ii/2014/08/despce.asp#27>.

⁸⁰ Chief Executive Decision No. 341/2007 is the umbrella legislation under which a prohibition of imports of meat for BSE purposes may take place. However, the Decision does not identify any specific country as subject to the measure. Chief Executive Decision No. 25/GM/96, which predates Chief Executive Decision No. 341/2007, prohibited, temporarily, the importation of meat products from the United Kingdom.

3.93. In February 2019, the prohibition to import poultry products from avian-flu-affected Asian countries, contained in Chief Executive Decision No. 7/2004, was removed by Chief Executive Decision No. 16/2019.⁸¹

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.94. Macao, China has not yet adopted a comprehensive competition law, nor does it have a dedicated competition enforcement agency. Provisions aimed at fostering competition, discouraging unfair business practices, and protecting consumer interests are scattered throughout the Commercial Code and sector-specific regulations. The authorities consider that these provisions are currently adequate and appropriate, given the small scale of the local economy and the prevalence of SMEs. Nevertheless, in order to further strengthen consumer's rights and protect fair competition, the existing Consumer Protection Law was revised; the revision is currently under consideration by the Legislative Assembly.

3.95. The Commercial Code⁸² contains rules of general application regarding the protection of fair competition. Article 153 provides that competition between entrepreneurs shall take place in a manner that does not harm the interest of the economy of Macao, China, and prohibits all agreements or practices that have the object or effect of preventing, falsifying or restricting competition. Article 158 defines unfair competition as "any act of competition that objectively reveals itself to be in breach of the norms and honest usage of economic activity", and sets out a non-exhaustive list of acts which are deemed unfair competition and are prohibited.⁸³ Parties affected by such acts have the right to initiate judicial action before a local court within a period of one year. If a court finds that a practice constitutes unfair competition, it must order the removal of such practice, indicate appropriate ways to eliminate its harmful effects, and order compensation of damages for the affected party. Certain acts of unfair competition under the Commercial Code may constitute criminal offences under other laws, including the Criminal Code, Law No. 6/96/M (merchant fraud) and Decree-Law No. 97/99/M (industrial property infringements). A survey of judicial practice of Macao China's courts in enforcing competition provisions under the Commercial Code found that this practice is scarce, and is mostly limited to acts of unfair competition, such as imitation of trademarks.⁸⁴

3.96. Several laws and regulations on specific sectors or economic activities contain provisions for the protection of fair competition. Said provisions differ in scope and depth, but generally prohibit anti-competitive behaviour, including horizontal and vertical restrictive practices. The enforcement of these provisions is in the hands of the relevant sectoral regulators. The economic activities subject to specific regulation include: gaming, banking and finance, insurance intermediation, telecommunications (fixed-line and mobile telephony, and Internet services), electricity, land lease⁸⁵, and government procurement.⁸⁶

3.97. Consumer protection is regulated by Law No. 12/88/M. The Consumer Council, a government agency under the supervision of the Secretariat for Economy and Finance, is entrusted with the protection and promotion of consumers' rights. It is responsible for receiving and handling

⁸¹ Chief Executive Decision No. 16/2019. Viewed (in Portuguese) at: <https://bo.io.gov.mo/bo/i/2019/07/despce.asp>.

⁸² Decree-Law No. 40/99/M amended by Laws No. 6/2000 and No. 16/2009.

⁸³ These acts include: confusing and misleading acts (i.e. false representation); making negative statements about competitors (slander); (improper) comparison; imitation (of patented goods and services); exploitation of other businesses' reputation; breach (disclosure or use) of secrets; instigation and exploitation of contractual breaches (inducing others to breach their contract obligations with competitors); exploitation of dependence (abusing the reliance of other businesses); and sales at a loss.

⁸⁴ Korea Legislation Research Institute, (2016), Choi J., and Svetlicinii, A., *A Comparative Study on Competition Law Enforcement in South Korea and China's Special Administrative Regions of Hong Kong and Macao*. Viewed at: <http://klri.re.kr:9090/handle/2017.oak/4669>.

⁸⁵ Article 37 of Administrative Regulation No. 6/2019 on Tendering Procedures for Land Lease stipulates that no contract will be awarded when there is collusion among bidders or any act or agreement that affects normal competition conditions.

⁸⁶ For a detailed analysis of the sectoral regulations, see: Tang, T. W., *The Conceptualisation of the Competition Legal System of Macao under the Perspective of EU Competition Law*, Centre for Continuing Education, University of Macau, 2017.

consumers' complaints, answering enquiries, and undertaking consumer advocacy activities. It is also entrusted to provide conciliation, mediation and arbitration services in respect to minor consumer claims. In addition, the Consumer Arbitration Centre (CAC), established in 1998, is responsible for handling consumer disputes not exceeding MOP 100,000. Arbitration services are offered free of charge, and arbitral awards can be enforced as court judgments. However, neither the Consumer Council nor the CAC have the power to protect market competition among businesses.

3.98. In the context of the recent revision of the Consumer Protection Law, several proposals to improve competition-related rules were included. For example, the revised Law mandates the Consumer Council to monitor unfair business practices, such as misleading and aggressive commercial practices. The Law also strengthens consumers' rights with respect to product information and compensation. However, proposals to prohibit the abuse of dominant market position and price-fixing practices were not included in the revised Law; the Government is to conduct further study on these issues. The revised Law was approved in general terms, and was being reviewed by the Legislative Assembly at the time of writing.

3.99. In addition, as part of the drafting of a new framework for telecommunications convergence, the Macao Post and Telecommunications Bureau (CTT) is reviewing the competition-related provisions for the sector, after having completed consultations with stakeholders.

3.3.4.2 Price controls

3.100. Generally, Macao, China does not apply price controls or administered prices. Nevertheless, for public interest reasons, the prices of most public utilities, such as electricity, water, telephone services, postal services and taxi fares, are regulated or monitored by the relevant regulatory agencies by means of administrative approval of charges and their adjustment.⁸⁷ No differences are made among user groups or industries. Tariffs on maritime passenger transport are also regulated.

3.101. In the area of telecommunications, the CTT is responsible for approving the tariffs of fixed and mobile telephone services. It also forbids Internet service providers from modifying tariffs but only when the modification is found to be anti-competitive or contrary to the public interest. Interconnection charges are determined via commercial agreement. If operators fail to reach an agreement, the Government may intervene and order interconnection terms and conditions, including charges (Section 4.4.3).

3.102. As regards maritime passenger transport, operators are required to submit their tariff tables for approval to the Marine and Water Bureau (*Direcção dos Serviços de Assuntos Marítimos e de Água*, or DSAMA), at least 30 days before implementation.⁸⁸ Tariff tables are adjusted, based on changes in fuel prices and in the consumer price index; adjustments must be approved by the DSAMA (Section 4.4.5).

3.3.5 State trading, state-owned enterprises (SOEs), and privatization

3.103. Macao, China notified the WTO that it does not maintain any state-trading enterprises within the meaning of paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT 1994.⁸⁹ The Macao Special Administrative Region has financial participation in 13 companies or associations, mainly pertaining to public utilities, transport, infrastructure, and media.⁹⁰

⁸⁷ Charges on electricity, water, telephone and postal services are regulated by the Secretary for Transportation and Public Works; and taxi fares are regulated by the Transport Bureau.

⁸⁸ Administrative Regulation No. 34/2009.

⁸⁹ WTO documents G/STR/N/15/MAC, 14 March 2014; G/STR/N/16/MAC, 8 June 2016; and G/STR/N/15/MAC, 23 March 2018.

⁹⁰ These are: Macau Electricity Company (CEM); World Trade Center Macau (CAM); Macau International Airport Co., Ltd., *Teledifusão de Macau*, S.A., (TDM); Macauport – *Sociedade de Administração*, S.A.; Macao Industrial Parks Development Co., Ltd.; Air Macau Company Limited; Macau Productivity and Technology Transfer Centre (CPTTM); *Transferência Electrónica de Dados* -MACAU EDI VAN S.A. (TEDMEV); Macau New Technologies Incubator Centre; Macau Investment and Development Limited; *Waterleau Macau Limitada*; and Macau Basic Television Channels, Limited.

3.3.6 Government procurement

3.3.6.1 Overview

3.104. During the period under review, total expenditure on government procurement represented on average 5.2% of GDP. In 2019, it amounted to MOP 26.8 billion (Table 3.18).

Table 3.18 Government procurement, 2013-19

(MOP million)

	2013	2014	2015	2016	2017	2018	2019
GDP at current prices	411,865.0	442,070.0	362,213.0	362,876.0	407,328.0	444,666.0	434,670.0
Total expenditure on government procurement	16,185.4	17,445.4	19,710.7	19,357.7	23,399.0	26,847.3	26,802.6
Investment	7,711.5	7,815.5	9,726.2	9,506.5	13,823.7	16,570.8	13,821.3
Investment and Development Plan (PIDDA)	7,033.1	7,255.4	8,948.8	8,519.4	12,916.8	15,408.6	12,333.0
Other	678.3	560.1	777.4	987.1	906.8	1,162.2	1,488.2
Total goods and services	8,473.9	9,629.9	9,984.5	9,851.2	9,575.3	10,276.4	12,981.3
% of total government procurement to GDP	3.9	3.9	5.4	5.3	5.7	6.0	6.2

Source: Financial Services Bureau.

3.105. Macao, China is not a signatory to the WTO Government Procurement Agreement (GPA), nor an observer to the relevant committee. Nevertheless, the authorities indicated that their procurement procedures and disciplines are consistent with international standards.

3.106. Government procurement is governed by different statutes that regulate different types of government contracts and their corresponding procedures. The main legal instruments are the following:

- Decree-Law No. 122/84/M (15 December 1984), amended by Decree-Law No. 30/89/M (1989), establishes the regime for expenditure on government procurement related to goods, services, and public works;
- Decree-Law No. 63/85/M (6 July 1985) provides the procedures applicable to public tenders for the procurement of goods and services;
- Decree-Law No. 74/99/M (8 November 1999) establishes procedures for the procurement of public works;
- Dispatch No. 52/GM/88 (23 May 1988) regulates the procedures for the purchase of real estate assets by the public administration services;
- Administrative Regulation No. 6/2006 (1 November 2006), amended by Administrative Regulation No. 28/2009, establishes the Public Finance Management System for the public administration services; and
- Law No. 15/2017 (9 August 2017) and Administrative Regulation No. 2/2018 regulate the budgetary activities of Macao, China.

3.107. The above legal framework did not change fundamentally since the last Review, and has been in place for many years. However, the Government is working on a new bill, with the aim of simplifying, updating and enhancing the government procurement regime. A task force, set up to prepare the draft of the new law, formulated a number of suggestions for legislative review, on the basis of which a public consultation was held (November 2018 through January 2019). As at mid-2020, the Public Procurement Law was being redrafted, in light of the comments received from the public consultation, before submission to the legislative procedure.

3.108. Decree-Law No. 122/84/M is the core legal provision on government procurement. It is applicable to expenditure related to the procurement of goods, services and public works by public organizations of the Government. This refers to all government departments, including departments with administrative autonomy, and autonomous services and funds.

3.109. Pursuant to Decree-Law No. 122/84/M, public procurement must be carried out through tender (open or limited tender with pre-qualification) or direct negotiation ("written consultation", "verbal consultation" or "exemption from quotation").⁹¹ In general, minimum threshold values are used to determine the applicable procurement procedure. Public tenders are usually compulsory for the purchase of goods and services with an estimated value exceeding MOP 750,000, and for public works contracts with an estimated value above MOP 2.5 million (Table 3.19).⁹² For procurements with a value below these thresholds, or for procurements falling under the exemptions prescribed by Decree-Law No. 122/84/M, contracts may be awarded through direct negotiation.⁹³ The procedure of direct negotiation requires the prior consultation of at least three potential suppliers. Prior consultation must be made in writing when the estimated value of the procurement is above MOP 15,000 for the acquisition of goods and services, and above MOP 150,000 in the case of public works. The requirement of prior consultation may be waived altogether in the circumstances specified by the Law, for example, in cases involving internal or external public security.⁹⁴

Table 3.19 Government procurement thresholds under Decree-Law No. 122/84/M

Type of procurement procedure		Acquisition of goods and services	Public works
Tender	Limited tender with pre-qualification	>MOP 7,500,000	>MOP 15,000,000
	Open tender	>MOP 750,000	>MOP 2,500,000
Direct negotiation	Written consultation	>MOP 15,000	>MOP 150,000
	Verbal consultation	≤MOP 15,000	≤MOP 150,000
Exemption from quotation		Specified circumstances ^a	

a Circumstances provided for in Article 8 (paragraph 4) of Decree-Law No. 122/84/M.

Source: WTO Secretariat, based on Tang, T.W., *Collection of Articles on the Legal System of Government Procurement in Macao Special Administrative Region*, Macao, China, 2015.

3.110. The use of limited tender with pre-qualification may be determined by the Chief Executive when: (i) in the case of goods and services, the estimated value of the contract exceeds MOP 7.5 million or the contract involves special technology; and (ii) in the case of public works, the estimated value of the contract exceeds MOP 15 million or the works are complex or exceptional in nature (i.e. they must be carried out in very special circumstances, in a particularly short time-period, or involve new designs or specialized construction methods). Data on the share of open tender and limited tender in total public procurement are not available.

3.111. External procurement can only be carried out in either of the following situations: (i) in the absence of the required goods on the local market or of adequate suppliers to provide the required services; (ii) if the foreign price is lower than the price on the local market; or (iii) if there are benefits in terms of quality, technical support or speed of delivery if the goods or services are procured externally.⁹⁵ If the estimated value of the procurement exceeds MOP 500,000, the authorization of the Chief Executive is required.

3.112. Under the procedures for the procurement of public works (Decree-Law No. 74/99/M), only contractors registered in the Official List of Public Works Contractors of the Land, Public Works and Transport Bureau (*Direcção dos Serviços de Solos, Obras Públicas e Transportes* (DSSOPT)) are admitted as tenderers. Regarding contractors not established in Macao, China, and not registered in the Official List of Public Works Contractors, in accordance with Article 63 of Decree-Law

⁹¹ Decree-Law No. 74/99/M on procurement of public works provides that the Government can solicit proposals by public tender, limited tender with pre-qualification, limited tender without pre-qualification, and direct negotiation.

⁹² Article 7 (paragraph 1) of Decree-Law No. 122/84/M.

⁹³ Article 7 (paragraph 2) of Decree-Law No. 122/84/M provides that exemptions apply when: (i) a company has the exclusive supply rights; (ii) it is in the interest of Macao, China, given the nature of the goods, services or public works required, to award directly to a particular entity; (iii) the contract involves project studies, technical consultancy or supervision of public works; (iv) there are security reasons; or (v) in urgent and extraordinary situations caused by *force majeure*.

⁹⁴ Article 8 (paragraph 4) of Decree-Law No. 122/84/M.

⁹⁵ Article 22 of Decree-Law No. 122/84/M.

No. 74/99/M, only contractors from countries that are a party to international agreements subscribed by Macao, China are admitted to participate in open tenders. Such foreign contractors must present proof of their registration as public works contractors in their own country. If they are unable to meet this requirement, foreign contractors must apply for an equivalent registration in Macao, China, and submit the documents specified in the said Decree-Law.⁹⁶

3.113. The Financial Services Bureau (DSF) carries out centralized procurement. It purchases eight categories of "common consumable goods" through open tenders, for all non-autonomous government agencies and some financially autonomous entities.⁹⁷ For goods not belonging to those eight categories, and for services and public works, individual procuring entities must follow the corresponding procurement procedure, based on the estimated value and the specific characteristics of the procurement project.

3.114. In 2019, only 3% of the DSF procurement contracts were awarded to foreign suppliers. This represented 13.1% of the value of goods and services centrally procured by the DSF, a decline from 19.4% in 2013 (Table 3.20). According to the authorities, these figures may under-represent the share of foreign suppliers in government procurement, as foreign companies registered with the DSF are considered as local companies (regardless of whether they are locally incorporated), and the country of origin is not recorded.

Table 3.20 Local and foreign participation in government procurement centrally purchased by the DSF, 2013-19

(Number of contracts and percentage)

	2013		2014		2015		2016		2017		2018		2019	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Foreign	45	4	6	1	4	0	42	3	52	4	49	3	41	3
Services	44	98	5	83	3	75	42	100	52	100	47	96	40	98
Public works	0	0	1	17	1	25	0	0	0	0	2	4	1	2
Buy and sell ^a	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public tender ^b	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisition of goods	1	2	0	0	0	0	0	0	0	0	0	0	0	0
Local	989	96	997	99	853	100	1,162	97	1,169	96	1,473	97	1,347	97
Services	860	87	916	92	793	93	1,059	91	1,023	88	1,271	86	1,240	92
Public works	19	2	5	1	1	0	20	2	26	2	76	5	29	2
Buy and sell ^a	1	0	0	0	0	0	10	1	33	3	33	2	0	0
Public tender ^b	79	8	76	8	59	7	73	6	87	7	93	6	78	6
Acquisition of goods	30	3	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,034	100	1,003	100	857	100	1,204	100	1,221	100	1,522	100	1,388	100
Value distribution (%)														
Foreign		19.4		10.1		0.0		9.7		2.9		7.5		13.1
Local		80.6		89.9		100.0		90.3		97.1		92.5		86.8

a The number of contracts shown in this item refers only to the acquisition of properties.

b "Public tender" indicates only the eight categories of common consumable goods centrally purchased by the DSF.

Source: Information provided by the authorities.

3.115. The Plan of Investment and Development Expenditure of the Administration (PIDDA) is mainly devoted to the development of infrastructure, including construction works. In 2019, almost half of government procurement was carried out under the PIDDA. The Land, Public Works and Transport Bureau (DSSOPT) and the Office for the Development of Infrastructure (GDI) are responsible for the procurement of construction works.

⁹⁶ These documents are: (i) description of the available equipment and specialized manpower that will be used; (ii) record of experience in the same type of works as those put to tender, including public and private projects, accompanied by performance certificates; (iii) documents proving their economic and financial capacity; and (iv) document accepting the legislation and jurisdiction of Macao, China only.

⁹⁷ Administrative Regulation No. 6/2006 classifies government agencies into three types: (i) non-autonomous agencies; (ii) agencies with administrative autonomy; and (iii) agencies with administrative and financial autonomy. The DSF procures consumable goods for the first two types. Agencies with administrative and financial autonomy may carry out their procurement independently or join the central procurement system of consumable goods.

3.3.6.2 Procedures

3.116. The open tender procedure for the acquisition of goods and services is governed by Decree-Law No. 63/85/M. It consists of the following steps: preparation of the tender programme and specifications by the procuring entity; publication of the tender notice; opportunity for potential bidders to seek clarification on the content of the tender programme and specifications; submission of offers and of provisional guarantees by the bidders; opening of offers, and acceptance of those that fulfil the tender conditions; preparation of a short-list of bidders; evaluation of offers by a selection committee; contract award; provision of final guarantee by the supplier/contractor to whom the contract was awarded; signing of the contract; and notice of contract award.

3.117. The procedure to contract through limited tender with pre-qualification follows the same rules as open tender, except that only bidders who are pre-selected, based on their fulfilment of the qualification requirements, can submit a tender offer. The procuring entity must select at least three pre-qualified bidders and invite them to submit their offers. For public works contracts, in addition to open tender and limited tender with pre-qualification, Decree-Law No. 74/99/M allows the use of limited tender without prior qualification. In this case, only the bidders invited by the procuring entity can submit tender offers. The tender notice is replaced by an invitation containing all tender documentation, which is sent to a minimum of three bidders.

3.118. Tender notices are published in the Official Gazette, in two local newspapers, one in Chinese and the other in Portuguese, and on relevant government websites (e.g. the government portal (www.gov.mo), the Printing Bureau, and the procuring entity's website). Tender documents must be published on the website of the procuring entity in Chinese, Portuguese and/or English, and they must contain, *inter alia*, the technical specifications, the relevant deadlines, the award criteria, the evaluation methodology, and other pertinent elements.

3.119. In open tenders, the deadline for the submission of offers, after publication of the tender notice, may vary from 15 to 180 days for goods and services, and from 20 to 90 days for public works. When the procedure is carried out through limited tender with pre-qualification, the suppliers must be given at least 25 days to submit their application to qualify, and the pre-selected bidders must be given no fewer than 40 days to submit their offers. If the procedure is organized as limited tender without pre-qualification, the bidders invited to participate must be given no fewer than five days to submit their offers.

3.120. The contract for the procurement of goods and services must be awarded to the best offer in terms of price and/or of the time for the provision of such goods and services. The contract for the execution of public works must be awarded to the offer that best guarantees the appropriate technical execution of the project, factoring in the price, the time for the execution of the works, and the profitability. However, no general provision expressly prevents the procuring entity from indicating in the tender documents that bidders may be called for negotiation before the award of the contract.

3.121. Once the award decision is made, the procuring entity notifies the selected bidder, who must provide a final guarantee for the execution of the contract; only then does the procuring entity notify the non-selected bidders of the award decision and publish the contract award notice.

3.122. A decision by a procuring entity may be challenged through an administrative claim directly submitted to such entity; a hierarchical appeal (before a superior administrative body); or a judicial appeal before a court. It is also possible to undertake an "action on administrative contracts", as provided for in the Code on the Procedure for Administrative Litigation (CPAC). Under the CPAC, the affected party may start an "action on administrative contracts" to request the annulment of a decision taken by the procuring entity during the procurement procedure (pre-award decision) and the revocation of the contract or compensation of damages. This action may only be taken by affected parties if they have already successfully challenged the same decision by judicial appeal.

3.123. The time-limits for submitting a challenge against a procuring entity's decision, counted from the date of publication of the challenged decision, are: 15 days for an administrative claim; 30 days for a hierarchical appeal; 30 to 365 days for a judicial appeal; and 180 days for an "action on

administrative contracts".⁹⁸ No time-limit applies regarding challenging a decision on the grounds of nullity. According to information published by the Commission Against Corruption, in 2017, 15 complaints were filed regarding government procurement procedures for goods and services.⁹⁹

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.124. The formulation and implementation of intellectual property right (IPR) legislation is the responsibility of the Intellectual Property Department of the Macao Economic Bureau (*Direcção dos Serviços de Economia*, DSE). The Macao Customs Service is in charge of enforcing legislation, combating counterfeiting, and promoting compliance with IPRs. Enforcement measures may include sanctions for IPR violations.

3.125. There were no significant changes to the industrial property legislative framework since the last Review. Industrial property, including invention patents, utility patents, trademarks, industrial designs, geographical indications and topographies of integrated circuits, is regulated by the Industrial Property Code, which entered into force in 2000. Other legislation protecting IPRs includes the Copyright and Related Rights Code. An amendment to this Code, to strengthen copyright protection in the digital environment, entered into force on 1 June 2012.¹⁰⁰ The amendment was notified to the WTO in 2014.¹⁰¹

3.126. In 2009, Macao, China notified the WTO that it had accepted the Protocol Amending the TRIPS Agreement on compulsory licensing under Paragraph 6 of the Doha Declaration.¹⁰² After the Protocol took effect on 23 January 2017 upon the acceptance by two thirds of WTO Members, it was published locally and entered into force in Macao, China on 6 September 2017.

3.127. Macao, China is not a contracting party to the Convention Establishing the World Intellectual Property Organization (WIPO). The membership of international treaties administered by WIPO is extended to Macao, China through arrangements between China and WIPO (Table 3.21). Since the last Review, China has notified to the WIPO that two international treaties have been extended for application in Macao, China, including the WIPO Copyright Treaty¹⁰³ and the WIPO Performances and Phonograms Treaty.¹⁰⁴

Table 3.21 Membership of international IPR conventions, 2019

Convention	Status	Date of effect
Berne Convention for the Protection of Literary and Artistic Works	In force	12 August 1999
Universal Copyright Convention	In force	23 October 1999
Paris Convention for the Protection of Industrial Property	In force	12 August 1999
Nice Agreement Concerning the International Classification of Products and Services for the Purpose of the Registration of Marks	In force	23 September 1999
WIPO Copyright Treaty	In force	6 November 2013
WIPO Performances and Phonograms Treaty	In force	6 November 2013

Source: Information provided by the authorities.

3.128. Administrative fees for industrial property rights, including registration, issuance of certificates, transfer of rights, and annual fees, remain unchanged since 2005.¹⁰⁵ These fees are

⁹⁸ There are some other situations where the special statutes provide for different time-limits.

⁹⁹ Chambers and Partners, *Public Procurement and Government Contracts 2020*. Viewed at: <https://practiceguides.chambers.com/practice-guides/public-procurement-and-government-contracts-2020/macau>.

¹⁰⁰ Law No. 5/2012 modified Decree-Law No. 43/99/M regulating the protection of copyright and related rights.

¹⁰¹ WTO documents IP/N/1/MAC/2, 2 April 2014; and IP/N/1/MAC/C/1/Rev.1/Add.1, 22 April 2014.

¹⁰² WTO document WT/LET/645, 19 June 2009.

¹⁰³ WIPO online information. Viewed at: https://www.wipo.int/treaties/en/notifications/wct/treaty_wct_79.html.

¹⁰⁴ WIPO online information. Viewed at: https://www.wipo.int/treaties/en/notifications/wppt/treaty_wppt_84.html.

¹⁰⁵ Chief Executive Decision No. 57/2005.

relatively low. For example, it costs MOP 1,000 to register a trademark and MOP 2,000 for its renewal every seven years.

3.129. In accordance with the Industrial Property Code, right holders of patents (including registered industrial designs) have the exclusive right to import products covered by the patent or registered industrial design, i.e. parallel imports are prohibited with respect to patented products.¹⁰⁶ However, parallel imports of trademarked goods and copyrighted works are not prohibited.

3.3.7.2 Industrial property

3.130. The main legislation with respect to industrial property is contained in the Industrial Property Code, enacted by Decree-Law No. 97/99/M, which entered into force on 6 June 2000. The Code covers all IPRs dependent upon registration, i.e. trademarks; patents (including invention patents and utility patents); topography maps of semiconductor products; industrial designs and models; and names and logos (emblems) of business establishments. The authorities indicated that the Industrial Property Code is currently being reviewed with a view to introducing amendments.

3.3.7.2.1 Patents

3.131. In accordance with Macao, China's legislation, invention patents are granted for 20 years, and utility model patents confer protection for a maximum of 10 years.¹⁰⁷ Industrial designs are protected for a maximum of 25 years.¹⁰⁸

3.132. An invention patent may be granted through either of two types of procedures: through the extension of a Chinese patent granted by China's State Intellectual Property Office (SIPO), now known as the China National Intellectual Property Administration (CNIPA)¹⁰⁹; or by the issuance of a new invention patent by the Macao, China authorities. In the first case, in accordance with the Industrial Property Code and Chief Executive Notice No. 7/2004, applicants who submit an invention patent application in the CNIPA or the right owners of an invention patent granted in Macao, China, may submit a request to extend the application or the patent right to the Macao, China authorities. If an application is in order, notice of it is published in the Official Gazette, 18 months from the date of filing in the CNIPA or, if a priority right was claimed, from the claimed date. Within three months following the publication of the notice of the grant of the patent in the CNIPA's Patent Gazette, the applicant must complete the Application of Other Actions form and submit the Copy of Extracts from the Patent Register and the Patent Specification, issued by the CNIPA, to the DSE. The application for extension of an invention patent is generally approved within three to four months after the submission of these documents. Once approved by the DSE, extended patents have the same legal rights as those granted by the DSE authorities. The extended rights are counted from the date the DSE granted the patent.

3.133. In the case of submitting a new application for an invention patent directly to the DSE in Macao, China, the applicant must submit the application with an abstract, and any other relevant documentation, including documents proving the priority right claim, drawings, translated copies in Chinese of certificates or other documents not written in any official languages of Macao, China. Like in the previous case, if the application is in order, a notice will be published in the Official Gazette, once 18 months have elapsed from the date of filing the application or, if a priority right was claimed, from the claimed date. From the publication of the application notice, and up to the date the patent is granted, any person may file an opposition to a specific application for invention patent registration. Also, in the case of direct registration with the DSE, within seven years from the date

¹⁰⁶ Article 104(1) and 177(2), the Industrial Property Code.

¹⁰⁷ Utility models are protected initially for six years, and patent protection may be subsequently renewed twice, for two years in each case (Article 121, the Industrial Property Code).

¹⁰⁸ Industrial designs are protected initially for five years, renewable for further five-year periods, to a maximum of 25 years (Article 176, the Industrial Property Code).

¹⁰⁹ In August 2018, the former State Intellectual Property Office of China (SIPO) was renamed the China National Intellectual Property Administration (CNIPA). The CNIPA is supervised by the newly established State Administration of Market Supervision and Administration. In addition to patents, utility models and designs, the CNIPA now also handles trademarks (formerly administered by the State Administration of Industry and Commerce, SAIC) and geographical indications (formerly handled by the Administration of Quality Supervision, Inspection and Quarantine, AQSIQ). European Patent Office online information, *China: SIPO has been renamed to CNIPA*. Viewed at: <https://www.epo.org/searching-for-patents/helpful-resources/asian/asia-updates/2018/20180905.html>.

of filing of the application, the applicant must file with the DSE a request of substantial examination by the CNIPA, paying a fee of MOP 2,500, otherwise the application for the invention patent registration will be refused. The granting of the patent by the DSE is contingent upon the result of a substantive examination report by the CNIPA, which is the only substantive examiner for invention patent applications in Macao, China in accordance with the Cooperation Agreement signed between Macao, China's and China's intellectual property offices.¹¹⁰ Under normal circumstances, it takes a maximum of two months to complete formality examinations for patent applications, and to process extension requests.¹¹¹

3.134. Utility model patent applications must be filed directly with the DSE. Utility model patents granted by/applied to SIPO/CNIPA and protected in China may not be extended to Macao, China. If an application is in order, notice of the application is published in the Official Gazette once 18 months have elapsed from the date of filing or, if priority is claimed, from the claimed date. Any person may challenge the registration from the publication of the application notice up to the date the patent is granted. Within four years of the date of filing of the application, the applicant must request DSE substantial examination for the preparation of an examination report by the CNIPA. The time-period of approval of the registration of a patent depends upon the time of completion of the examination report by the CNIPA.¹¹²

3.135. During the review period, the number of patent applications in Macao, China, through both ways of filing, reached a peak in 2014 and stabilized after that. In 2018, there were 83 applications (49 in the period January-August 2019), of which 55 (24) for invention patents and the rest for utility model patents. In most cases, they were foreign inventions. The number of requests for extension of patent rights from China, on the other hand, has been rising, reaching 611 in 2018 (Table 3.22). Foreign IPRs topped the list of extension requests.

Table 3.22 Patent administration in Macao, China, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Patent applications	82	81	134	85	66	86	83	49
Domestic	..	7	7	7	1	3	8	9
Foreign	..	74	127	78	65	83	75	40
Invention	56	60	106	65	51	68	55	24
Domestic	..	6	2	3	0	1	1	0
Foreign	..	54	104	62	51	67	54	24
Utility model	26	21	28	20	15	18	28	25
Domestic	..	1	5	4	1	2	7	9
Foreign	..	20	23	16	14	16	21	16
Designs	167	141	132	249	218	193	208	168
Domestic	..	7	12	20	46	17	67	17
Foreign	..	134	120	229	172	176	141	151
Patent granted	..	28	18	51	68	30	29	15
Domestic	..	1	0	2	2	3	1	1
Foreign	..	27	18	49	66	27	28	14
Invention	..	22	16	36	57	23	27	13
Domestic	..	0	0	1	1	1	1	0
Foreign	..	22	16	35	56	22	26	13
Utility models	..	6	2	15	11	7	2	2
Domestic	..	1	0	1	1	2	0	1
Foreign	..	5	2	14	10	5	2	1
Designs	..	101	174	120	79	289	207	78
Domestic	..	3	27	12	6	31	13	26
Foreign	..	98	147	108	73	258	194	52

¹¹⁰ On 24 January 2003, the Cooperation Agreement, between Macao, China's Economic Service Bureau and China's State Intellectual Property Office (SIPO), appointed the SIPO (now the CNIPA) as the substantive examination entity for patents submitted to the Macao, China intellectual property office. This Agreement was initially valid for five years and has been renewed three times since then; the most recent renewal was in 2018 for another five years.

¹¹¹ DSE, *Approval Flow*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pq_ip_af?refresh=true#4.

¹¹² DSE, *A Concise Booklet on the Intellectual Property Rights of Guangdong, Hong Kong and Macao*. Viewed at: https://www.economia.gov.mo/public/data/ip/pub/attach/e691376e0ecb3de9b0cafcc4982465a9/en/IP_en.pdf.

	2012	2013	2014	2015	2016	2017	2018	2019 ^a
Patent extensions (invention)	239	348	310	382	452	441	611	310
Domestic	..	2	2	0	2	3	3	1
Foreign	..	346	308	382	450	438	608	309

.. Not available.

a January–August.

Source: Data provided by the authorities; and DSE, *Statistics*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pq_ip_sd?refresh=true.

3.136. The Protocol Amending the TRIPS Agreement on compulsory licensing under Paragraph 6 of the Doha Declaration entered into force in Macao, China on 6 September 2017. However, no compulsory licences were granted.

3.137. With respect to transparency, Macao, China has an Online Invention Patent Search System, which includes information on granted and published invention patents in Macao, China. The information provided by the System on this website is for general reference only, and cannot be used as a legal instrument in the application for an invention patent.¹¹³ Macao, China also has an Online Complementary Certificate for the Protection of Medicines and Phyto-pharmaceutical Products Search System, which provides an online search for records of complementary certificates for the protection of medicines and phyto-pharmaceutical product granted and published in Macao, China.¹¹⁴ The records of patents extended by the CNIPA can be checked in the online Extension of Invention Patent from the China National Intellectual Property Administration Search System.

3.3.7.2.2 Trademarks

3.138. In accordance with the Industrial Property Code, a trademark may consist of words, letters, colours, numerals, sounds, the shape of goods or their packaging, designs or patterns, or any combination of the above. The basic requirement for being considered a trademark is that it must possess features that facilitate consumers to distinguish the source of the goods or services. Common names or straightforward descriptions of goods or services cannot be registered as trademarks.¹¹⁵ An applicant for trademark registration must determine the proposed classes of goods and services to be registered for the trademark concerned. The goods and services must be classified according to the International Classification of Good and Services (Nice Classification). Application forms for a trademark should be completed in Chinese or Portuguese. Applications from non-resident individuals or corporations not registered in Macao, China must be made through an appointed agent, generally a lawyer registered with the Macao Lawyers' Association.

3.139. Before applying for trademark registration, the applicant can use the DSE website to search for identical or similar trademarks. S/he may also request the DSE to provide a search report, showing a list of trademarks that are identical or similar to the proposed trademark. Applications for trademark registration must be accompanied by documents proving the priority claim, translated into Chinese or Portuguese. The application fee is MOP 1,000. No more than one registration may be filed in the same application; each trademark to be used on the same product or service can be registered only once.

3.140. If an application and its supporting documents are in order, notice of the application is published in the Official Gazette. The DSE must make a decision on the registration of the trademark within six months after the publication of the notice of application, on the conditions that no opposition is filed within the two-month opposition period beginning on the date of publication, and that requirements for registration are met. Once the period for the presentation of oppositions has expired, the DSE will proceed to the examination of the application and will conduct a search of the

¹¹³ DSE, *Invention Patent*. Viewed at: https://www.economia.gov.mo/en_US/web/public/Pq_ES_AE_QE_PATENT?refresh=true.

¹¹⁴ DSE information. Viewed at: https://www.economia.gov.mo/en_US/web/public/Pq_ES_AE_QE_MEDICINE?refresh=true.

¹¹⁵ *A Concise Booklet on the Intellectual Property Rights of Guangdong, Hong Kong and Macao*, jointly published by the Guangdong Intellectual Property Office, the Intellectual Property Department of the Government of the Hong Kong Special Administrative Region and the Economic Services of the Government of the Macao Special Administrative Region, 2010. Viewed at: https://www.economia.gov.mo/public/data/ip/pub/attach/e691376e0ecb3de9b0cafcc4982465a9/en/IP_en.pdf.

trademark records to see if any identical or similar trademark has already been registered or been applied for by other persons in respect of the identical or similar goods or services. If an application satisfies the registration requirements and there is no opposition within the specified time limit or the opposition is unsuccessful, the DSE will publish the notice of registration in the Official Gazette. Appeals to the Court of First Instance against a DSE decision, may be lodged within one month from the date of publication of the notice of registration.

3.141. Trademark applications may be denied if the use of the mark may cause ambiguity with respect to a well-known mark. A trademark registration may be annulled if it was granted in breach of the provision related to well-known trademark protection, provided that the application of such well-known trademark had already been filed in Macao, China prior to, or simultaneously with, the annulment.

3.142. Trademarks must be in Chinese, Portuguese, or English, or a combination of these languages, except for export goods or trademarks of applicants not domiciled, headquartered or established in Macao, China. Trademarks are protected for seven years, and may be renewed indefinitely, for seven-year periods each time. Registered trademarks may be revoked if the mark is not used continuously for three years by the right holder, his/her registered licensees, or a third party under the supervision of the right holder and for the purpose of maintaining the registration. Similarly, trademark right holders may lose their rights to request the annulment of the registration of the subsequently registered trademarks if they acknowledged and tolerated the use of these similar marks by a third party for three consecutive years. Bad-faith registrations are not subject to the three-year exhaustion period.

3.143. Trademark infringement in Macao, China may be subject to criminal, administrative and jurisdictional penalties. The right owner must raise a complaint with the Customs Service, requesting it to act and stop the infringement. The principal remedy for infringement is judicial protection. Counterfeiting, imitation, and illegal use of a trademark may be punished with a maximum prison sentence of three years or a financial penalty ranging from 90 to 180 days of fine.¹¹⁶

3.144. During the initial part of the review period, the number of trademark applications and of trademarks granted increased steadily, before declining in 2016. The number grew again in 2017, registering a record high in 2018. Foreign applications accounted for the majority of applications during the review period. Trademarks granted to foreigners accounted for 85.4% of all trademarks granted in 2018 (Table 3.23). The registration of trademarks usually takes about six to eight months.

Table 3.23 Trademark applications, 2013-19

	2013	2014	2015	2016	2017	2018	2019 ^a
New trademark applications	10,084	12,287	13,140	11,507	13,135	16,474	10,278
Domestic	1,193	1,405	1,825	1,683	2,030	2,439	1,525
Foreign	8,891	10,082	11,315	9,824	11,105	14,035	8,753
Trademarks granted	9,869	12,587	12,126	11,016	11,481	14,449	10,450
Domestic	827	1,188	1,487	1,341	1,643	2,105	1,215
Foreign	9,042	11,399	10,639	9,675	9,838	12,344	9,235

a January-August.

Source: Data provided by the authorities.

3.3.7.2.3 Other industrial property rights

3.3.7.2.3.1 Names and emblems of establishments

3.145. Names and logos (emblems) of establishments are protected for 10 years, renewable indefinitely. Multiple registrations of names and logos are not allowed for the same establishment (i.e. one establishment may have only one name and logo). The Legal Affairs Bureau at the DSE is responsible for business registrations of names and emblems of establishments. A business registration does not give the right to use the business name as a registered name and emblem of the establishment or a trademark in promoting or dealing in goods or services.

¹¹⁶ A day of fine is a unit whose value, between MOP 50 and MOP 10,000, is determined on a case-by-case basis at the discretion of the court.

3.3.7.2.3.2 Geographical indications and denominations of origin

3.146. Under the Industrial Property Code, a geographical indication (GI) is used to designate a product (production, transformation and creation) originating from that region, specific locality or country or territory, and the reputation, specific quality, or other characteristics of the product can be attributed completely or mainly to the geographical environment of that region, specific locality or country or territory, including natural and human factors. The production and/or transformation and/or creation of the product must be conducted in the demarcated geographical area. .

3.147. An application for registration of a GI must be accompanied by the name of the product that will use the GI, the regulated conditions for its use, and the limit of the respective region. The provisions relevant to the registration process of names and logos apply to GIs. The protection period for registered GIs is unlimited, and renewal is not required. GIs are also protected by legislation governing false indications of origin, e.g. under the provisions relevant to unfair competition in the Commercial Code, regardless of registration or whether the GI is part of a registered trademark. As at end-2019, there were two applications for GIs in Macao, China.

3.148. Under the law, only the following can be protected by a designation of origin (DO):

- the name of a region, a specific locality or a country or territory that is used to designate or identify a product originating from that region, specific locality or country or territory, whose quality or characteristics are essentially or exclusively due to the geographical environment, including natural and human factors, and whose production, transformation and creation are conducted in the demarcated geographical area; and
- certain traditional designations, whether geographical or not, which designate a product originating from a region or specific locality and that satisfy the conditions foreseen above.

3.149. When registered, DOs and GIs become the common property of the residents or persons established in the region in question, and may be used indiscriminately by them, independent of the nature or exploitation of the product. The violation and illegal use of DOs or GIs can be subject to criminal penalties, with a maximum prison sentence of up to two years or a financial penalty ranging from 60 to 120 days of fine.

3.3.7.2.3.3 Layout designs of integrated circuits

3.150. Layout designs of integrated circuits are protected for 10 years after registration or the first day of commercial utilization if the registration date is later than the commercial utilization date. Registration is not renewable. The layout design is not registrable if two years have elapsed since the first commercial exploitation of the topography anywhere; or, if it was never exploited, if 15 years have elapsed since the topography was fixed or codified for the first time. As at end-2019, there were no applications for protection of layout designs of integrated circuits. The rights conferred by the registration of the layout do not include its private reproduction for non-commercial purposes, or for the purpose of analysis, evaluation or teaching.

3.3.7.2.3.4 Trade secrets

3.151. Trade secrets and know-how are protected under the provisions on unfair competition of the Commercial Code (Decree-Law No. 40/99/M).

3.3.7.3 Copyright and related rights

3.152. Copyright in Macao, China is regulated by the Copyright and Related Rights Code, approved by Decree-Law No. 43/99/M of 16 August 1999, as amended in 2012. The amendment entered into force on 1 June 2012, to enhance copyright and related rights protection, in particular in the digital environment, and to increase criminal penalties on violations. For example, additional rights were introduced, including the right of public transmission by wireless communication or wire-telecommunication. Criminal sanctions against the unauthorized communication to the public of copyrighted works through public computer networks for business profit were also introduced.

3.153. The scope of protection includes intellectual creations in the literary, scientific and artistic fields, whatever their type, form of expression, merit, form of communication, or purpose. The prerequisite for copyright protection is the outward manifestation of the work, independent of its disclosure, publication, use, or economic exploitation. Ideas, processes, systems, operational methods, concepts, principles and discoveries are not protected by copyright.

3.154. Protection under the Copyright and Related Rights Code covers any originally creative works, *inter alia*, literary, graphics, computer programs, databases, music, performance, audiovisual creations, radio-transmitted programmes, and architect designs. Copyright protection includes personal (moral) and economic rights. Economic rights include the exclusive right: (i) to use and economically exploit the work; and (ii) to receive remuneration for the use that a third party makes of the work, where the author's permission for that use is dispensed with. Moral rights include the power: (i) to keep the work unpublished; (ii) to claim authorship of the work and to be identified as the author on the original, on each copy and in any publicity; (iii) to withdraw the work from circulation; and (iv) to ensure the authenticity and integrity of the work, as well as the right to object to any mutilation or distortion.

3.155. The ownership of economic rights in a work made on behalf of another person, either in fulfilment of official duties or under an employment contract, is determined in accordance with what has been agreed. However, in the absence of an agreement, it is presumed that the owner of the economic rights in the work is the intellectual creator. If the name of the intellectual creator is not mentioned in the work or shown in its customary place, it is presumed that the economic rights were assigned to the entity for which the work was made.

3.156. Copyright is protected independently from registration, deposit or any other formality. Protection of copyright and related rights in Macao, China is granted to works first published in Macao, China, or by Macao, China residents, or by residents of Members of the WTO or of the Universal Copyright Convention.

3.157. The period of copyright protection is the life of the author plus 50 years; collaborated works are protected until 50 years after the death of the last author. Works whose authors are entities, or are anonymous, are protected for 50 years after publication. In the case of works also protected by other jurisdictions, copyright protection in Macao, China is only extended for the period covered by its original protection jurisdiction. If works are published in different jurisdictions, the protection period granted is that afforded by the jurisdiction providing the shortest protection period, which is considered as the original protection jurisdiction. For protection of unpublished works, the regime applied in the place where the author regularly resides is considered as the original protection jurisdiction. Computer programs are protected as copyrighted works and, as such, are granted a period of protection of life plus 50 years.

3.158. Audiovisual creations and show performances are protected for 50 years from publication/performance. Radio-transmitted programmes are protected for 20 years after the end of the calendar year in which the programme was first broadcast. Art works are protected for 25 years from their completion.

3.3.7.4 Enforcement

3.159. Enforcement of intellectual property rights in Macao, China is done through administrative and judicial measures. The main provisions with respect to copyright infringement and penalties are imposed according to IPR legislation, including Decree-Law No. 43/99/M; the Copyright and Related Rights Code; Decree-Law No. 51/99/M (Commercial and Industrial Activities Related to Computer Programs, Videos and Phonograms); and Decree-Law No. 97/99/M (Industrial Property Code). The amendment introduced in 2012 to Decree-Law No. 51/99/M by Law No. 5/2012 of 10 April 2012 extended criminal penalties to copyrighted works violations through the Internet.

3.160. Misappropriation of a copyrighted work is punishable by imprisonment of up to two years or a fine of up to 240 days (of personal income) if the work is published, or of up to three years or a fine of up to 360 days if it is unpublished. The publication or divulgation without authorization from the right holder of an unpublished work, is punishable by imprisonment of up to two years or a fine of up to 240 days. The penalty is imprisonment of up to three years or a fine of up to 360 days if

the divulgation is done through the Internet. Counterfeit is punishable by imprisonment of up to four years.

3.161. Additionally, the following penalties may be applied: (i) pledge of good conduct, and payment of a security deposit¹¹⁷; (ii) temporary prohibition on the exercise of certain activities or professions: the duration of the ban has a minimum period of two months and a maximum of two years; (iii) temporary closure of the establishment: for a minimum period of one month and a maximum of one year, if the agent is sentenced to a prison term of more than six months for the crime; (iv) final closure of the establishment; and (v) publication of the condemnatory decision.

3.162. The Law also foresees the application of administrative penalties. For instance, the exercise of collective management of copyright or related rights by a natural person, or by a legal person that does not have its headquarters in Macao, China, is subject to a fine of between MOP 50,000 and MOP 500,000. The exercise of the activity of collective management of copyright or related rights by a body based in Macao China but not registered with the DES is subject to a fine of between MOP 40,000 and MOP 400,000.

3.163. The Macao Customs Service enforces IPR protection measures at the border and domestically. is also responsible for monitoring the manufacturing process for goods produced in Macao, China, as well as other industrial activities, and activities in Macao, China's industrial and commercial sites. It may act on complaints, or on its own initiative. Judicial action is the main remedy, and it is triggered by a request by the right owner. In the case of a criminal infringement of intellectual property, the Macao Customs Service is the investigating entity, and the Public Prosecutions Office is responsible for bringing the case to court. In the case of civil infringement, the right holder may sue for civil compensation.

3.164. The authorities noted that the Macao Customs Service investigates reported cases through the collection of intelligence and information, including from established liaison mechanisms with neighbourhood regions. Raid operations are deployed and implemented by the Customs Service, and joint operations with neighbouring regions are carried out. The authorities also noted that online infringement activities are reported at an increasing rate, and fraud practices have become more covert. In order to combat ever-changing online infringement activities, the Customs Service uses various channels, including network investigation systems, search engines, and Big Data processing technology. With the goal of enhancing criminal investigation skills, the Customs Service also organizes professional and technical training courses in order to strengthen the comprehensive law enforcement capacity of customs officers. Most enforcement operations are linked to trademark violations. The types of consumer products involved in trademark infringement are mainly clothing, sports products, jewellery, and telephone accessories (Table 3.24).

3.165. The authorities noted that they are strengthening cooperation, exchange of intelligence, and the deployment of joint operations to prevent and combat crimes of intellectual property infringement at a regional level, with the Guangdong province of China and with Hong Kong, China.

¹¹⁷ The security deposit is of between MOP 10,000 and MOP 3 million, at the order of the court, for the term established in the condemnatory decision, which is fixed between six months and two years. The deposit must, as a rule, be applied whenever the court condemns a penalty whose execution is suspended. The security deposit is forfeited in favour of Macao, China if the agent commits, and is convicted of, one of the crimes provided for in Law No. 5/2012, during the period established.

Table 3.24 Violations of intellectual and industrial property rights, 2013-19

	2013	2014	2015	2016	2017	2018	2019^a
Prosecution cases	34	26	27	34	26	33	22
Confiscation of infringing products	5,814	6,565	5,411	56,014	6,025	22,755	4,464
Compact discs (pieces)	687	111	94	989	0	0	0
Textiles (pieces)	1,122	263	601	3,431	1,171	4,728	3,254
Leather products (pieces)	52	52	501	283	19	167	7
Watches (pieces)	310	2,560	37	80	5	3	54
Other ^b	3,643	3,579	4,178	51,231	4,830	17,857	1,149

a Until October 2019.

b "Other" includes a wide range of confiscated products that varied during the review period, including sports products, jewellery, and telephone accessories.

Source: Data provided by the authorities.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1. Agriculture and fisheries play a very small role in Macao, China's economy, accounting for less than 1% of GDP. According to the authorities, there is no development strategy for the agriculture sector.

4.2. Macao, China is a net importer of agriculture and fish products, and its trade deficit in these products grew to USD 1,818 million in 2019 (from USD 1,318 million in 2013), with imports of USD 1,919 million, accounting for 17.2% of total imports of goods, and exports of USD 101 million, representing 6.4% of total merchandise exports. The major suppliers of imports of agriculture and fish products were Mainland China and the EU-28, which accounted for about 29.6% and 25.1% of the total, respectively, in 2019.¹ The main imported products include beverages (e.g. wine and spirits), preparations of cereals and flour, meat, and dairy products (Table 4.1). With regard to exports (including re-exports), Hong Kong, China remained the biggest market for Macao, China exports, accounting for 70.4% of total agricultural and fish exports in 2019, followed by Mainland China (9.3%). According to the authorities, the principal agricultural exports (HS 19 and HS 22) are mainly re-exports.

Table 4.1 Agriculture and fish trade, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Agriculture and fish (USD million)							
Trade balance	-1,318	-1,607	-1,633	-1,488	-1,499	-1,673	-1,818
Imports	1,429	1,710	1,729	1,620	1,683	1,835	1,919
Exports ^a	111	103	96	132	183	162	101
Agricultural imports (USD million)	1,308	1,571	1,587	1,469	1,525	1,650	1,724
(% of total imports)	12.9	13.9	15.0	16.5	16.1	14.8	15.4
(% of total agricultural imports)							
HS 22 Beverages, spirits and vinegar	31.8	28.1	24.2	25.4	24.9	24.2	25.4
Alcohol (e.g. wine, spirits)	23.6	20.2	15.8	16.8	16.2	15.7	17.2
Non-alcohol (e.g. water)	6.9	6.7	7.0	7.1	7.2	6.9	6.8
HS 19 Preparations of cereals, flour, starch or milk	18.2	23.2	28.0	23.6	24.3	23.2	19.4
Preparations suitable for infants or young children	10.4	16.1	20.1	15.8	16.7	14.7	10.6
Bread, pastries, cakes, biscuits, etc.	2.1	2.0	2.3	2.5	2.5	2.5	2.8
HS 02 Meat and edible meat offal	7.3	8.0	7.6	9.0	9.6	10.2	11.5
HS 21 Miscellaneous edible preparations	5.0	5.4	5.5	6.6	7.1	7.8	8.0
Other food preparations	2.5	3.1	3.0	3.2	3.9	4.7	4.8
Sauces, mixed condiments and mixed seasonings	1.5	1.4	1.4	1.7	1.9	1.9	1.8
HS 04 Dairy produce	4.7	4.5	3.9	3.5	3.9	4.0	5.1
Fish imports (USD million)	121	139	142	151	157	185	195
(% of total imports)	1.2	1.2	1.3	1.7	1.7	1.7	1.7
Agricultural exports (USD million)^a	109	100	94	128	180	159	98
(% of total exports)	9.5	8.1	7.0	10.2	12.8	10.5	6.2
(% of total agricultural exports)							
HS 19 Preparations of cereals, flour, starch or milk	10.6	11.8	10.9	16.2	42.2	50.9	18.7
Preparations suitable for infants or young children	0.1	1.1	1.4	9.3	36.8	43.7	10.0
Bread, pastries, cakes, biscuits, etc.	8.5	8.3	6.2	4.6	6.2	8.5	7.2
HS 24 Tobacco	61.9	62.3	62.9	50.0	26.4	26.8	45.4
HS 22 Beverages, spirits and vinegar	22.5	19.8	18.9	29.1	26.9	17.2	28.9
Alcohol (e.g. wine, spirits)	20.8	19.1	18.3	24.8	22.4	13.0	21.5
Fish exports (USD million)^a	2	3	2	3	3	3	3
(% of total exports)	0.2	0.3	0.2	0.3	0.2	0.2	0.2

a Including re-exports.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5105-5103, 5201-5203, and 5301-5302).
WTO definition of fish: HS Chapter 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20.

Source: WTO Secretariat's calculations, based on data provided by the authorities.

¹ WTO Secretariat calculations, based on data provided by the authorities.

4.3. Macao, China maintains all applied and bound tariffs on agricultural and fishery products at zero (Section 3.1.4). While all tariff lines corresponding to agricultural products are bound, only 1.3% of fishery tariff lines are bound. As noted in Section 3, imports and exports to/from Macao, China are subject to customs declarations and/or licences, depending on the nature of product concerned. SPS-related requirements are also applied to certain products. Goods from Macao, China may enjoy duty-free treatment under the CEPA with Mainland China if they comply with the rules of origin established under the CEPA (Section 3.2.1).

4.4. During the period under review, Macao, China notified to the WTO Committee on Agriculture that it did not maintain any export subsidy and domestic support.²

4.5. The Marine and Water Bureau (*Direcção dos Serviços de Assuntos Marítimos e de Água*, DSAMA) is responsible for registering and licensing fishing vessels for entry into, or exit from, Macao, China.³ The fees for vessel registration and other licences are charged in accordance with the General Fee Schedule of the Marine and Water Bureau. According to information provided by the authorities, 127 fishing boats were registered in 2019.

4.6. The DSAMA is responsible for promoting the development of maritime activities and coordinating and administering marine affairs and water resources. With the decline in economic contribution in the past decades due to social development and structural changes of the local economy, the fisheries sector no longer accounts for a significant portion of Macao, China's economy. According to the authorities, there is no development strategy for the fisheries sector. However, the Government supports the sector through the Fisheries Development and Support Fund⁴, established in 2007. The Fund is managed by the Administrative Council, with technical and administrative support provided by the DSAMA.⁵ Members of the include the Director of the DSAMA and a representative of the Financial Services Bureau. The Fund provides interest-free loans to fishermen for the following purposes⁶:

- to carry out ship maintenance and repair, or to repair worn-out fishing facilities, including fishing gear, freezers, and navigation equipment;
- to purchase fuel;
- to participate in, and initiate, research and training activities; and
- to overcome the difficulties encountered by fishermen in their fishery activities due to natural disasters or epidemics.

4.7. In order to be eligible for assistance, applicants must be Macao, China residents who are either fishermen working on a Macao, China registered fishing vessel; or owners of a Macao, China registered fishing vessel.⁷ In addition, applicants must submit all supporting documents, such as receipts for ship maintenance and repair, or invoices issued by an equipment supplier. Loans are only approved after the verification of relevant documents.⁸ According to the authorities,

² WTO documents G/AG/N/MAC/32, 22 March 2013; G/AG/N/MAC/33, 22 March 2013; G/AG/N/MAC/34, 14 March 2014; G/AG/N/MAC/35, 14 March 2014; G/AG/N/MAC/36, 16 March 2015; G/AG/N/MAC/37, 16 March 2015; G/AG/N/MAC/38, 15 June 2016; G/AG/N/MAC/39, 16 June 2016; G/AG/N/MAC/40, 24 May, 2017; G/AG/N/MAC/41, 24 May 2017; G/AG/N/MAC/42, 29 May 2018; G/AG/N/MAC/43, 29 May 2018; G/AG/N/MAC/44, 3 May 2019; and G/AG/N/MAC/45, 3 May 2019.

³ Customs Services, *General Information*. Viewed at: https://www.customs.gov.mo/pt/customs4.html#customs4_1.

⁴ Administrative Regulation No. 3/2007 (*Regulamento de Desenvolvimento e Apoio à Pesca*). Viewed at: <https://images.io.gov.mo/bo/i/2007/09/reg-a-3-2007.pdf>; and Chief Executive No. 93/2007 (*Aprova o Regulamento do Plano de Desenvolvimento e Apoio à Pesca*). Viewed at: <https://images.io.gov.mo/bo/i/2007/14/despce-93-2007.pdf>.

⁵ WTO document G/SCM/N/343/MAC, 22 May 2019.

⁶ WTO document G/SCM/N/343/MAC, 22 May 2019.

⁷ Article 2 of Chief Executive No. 93/2007 (*Aprova o Regulamento do Plano de Desenvolvimento e Apoio à Pesca*). Viewed at: <https://images.io.gov.mo/bo/i/2007/14/despce-93-2007.pdf>.

⁸ WTO document G/SCM/Q2/MAC/9, 25 September 2013.

94 applications for assistance were approved between 2013 and 30 November 2019. Assistance remains moderate; loans for an amount of MOP 4.1 million were approved in 2018.⁹

4.2 Mining and Energy

4.2.1 Mining and quarrying

4.8. Macao, China does not engage in any economic activities related to mining and quarrying.

4.2.2 Energy

4.2.2.1 Electricity

4.9. The legal and institutional framework for the energy sector, including for electricity, remained largely unchanged during the period under review. The Office for the Development of the Energy Sector (GDSE), reporting to the Secretary for Transport and Public Works, remains the sectoral regulator. The GDSE is responsible for: assisting the Government with formulating energy policy, and mid- and long-term planning regarding energy resources for the territory; and supervising all activities related to the energy sector, among others. All prices related to energy must be approved by the Government.

4.10. With the increasing demand for electricity, the Government pursues a "partial liberalization" of the electricity market, with a view to introducing competition and ensuring a steady supply of electricity. The authorities noted that the Government is keen to develop an electricity sector that provides high-quality, secure, reliable and environmentally friendly energy at affordable prices. These goals are to be met by, among other measures and policy initiatives, introducing adequate reform, establishing a modern legislative and regulatory framework, investing in education and human capital, and strengthening regional cooperation. In particular, the authorities noted that importation and green energy remain the primary drivers of the electricity supply strategy. They noted that, on the one hand, Macao, China continues to rely on the China Southern Power Grid (CSG) for electric power that is produced increasingly by green sources. Local generation plays a supplemental role, with natural gas the principal fuel under normal circumstances. On the other hand, measures and incentives remain in force to acquire power from renewable sources, including refuse incineration and photovoltaic generation. Over the long-term, diversification remains a key consideration in Macao, China's electricity supply strategy, pursuant to the development of Mainland China's energy market.

4.11. The Macao Electricity Company (*Companhia de Electricidade de Macau, SA (CEM)*)¹⁰ is the only vertically integrated operator in the territory. It was granted a sole concession from the Government for the downstream transmission and distribution of electricity. In 2010, to aid further reform of the industry, the Government entered into a new contract with the CEM and extended the CEM's concession on downstream transmission and distribution of electricity. The upstream generation and importation segments were liberalized, but the CEM was allowed to continue to operate its generation facilities. The contract, which became effective on 1 December 2010, is valid until 31 December 2025, subject to a review every five years.

4.12. The Macao, China grid is connected to the CSG through two 110 kV cables and two 220 kV cables. The CEM, on behalf of Macao, China, imports electricity from Mainland China. In 2018, it imported 4.9 billion kWh, accounting for 8% of the electricity consumed. As laid out in the Supplementary Agreement of the 2010-20 Framework Agreement of Electricity Cooperation between GDSE and CSG, CEM is required to import 70% or more of Macao, China's electricity demand across the border, on average, during the period 2017-26.

4.13. The Macao SAR Government prioritizes environmental protection, energy conservation, and a due use of clean and safe alternative energies in its energy policy. Regarding renewable energy, the GDSE has a stated goal that at least 40% of the imported electricity from China must stem from

⁹ WTO document G/AG/N/MAC/45, 3 May 2019.

¹⁰ *Companhia de Electricidade de Macau, SA (CEM)* is a joint-venture. As at end-October 2019, Nam Kwong Development (H.K.) Limited, a Chinese SOE, was the biggest CEM shareholder, owning 42% of the share, while the Government owned 8%.

clean sources.¹¹ Also, with a view to fostering the local generation and use of clean energy, solar photovoltaic panels have been allowed to be connected to the grid since 2015. In this respect, Administrative Regulation No. 20/2014 (Regulation for Safety and Installation of Grid Connection Solar Photovoltaics), in effect since 26 January 2015, aims to provide standards for the installation of solar photovoltaic systems in public and private buildings, and set out the technical standards for safe connection between photovoltaic systems and the grid.

4.14. In order to further promote the application of solar photovoltaic (PV) panels, the Macao, China Government set four levels of feed-in electricity tariffs, according to installed PV capacities (Table 4.2). The feed-in tariffs are reviewed and revised periodically; the latest tariffs entered into force on 1 July 2018. The authorities noted that the Government does not currently provide other incentives for solar PVs or other power generation from renewable energy.

Table 4.2 Feed-in tariffs for different level of installed PV capacities, September 2019

Level	Installed PV capacities (kW)	Feed-in electricity tariffs (MOP/kWh)
I	<10	3.7
II	10-100	3.4
III	100-500	3.0
IV	>500	2.8

Source: Information provided by the authorities.

4.2.2.2 Fuel

4.15. During the review period, the GDSE promulgated a number of new or revised technical regulations concerning the natural gas pipeline network, and filling stations.¹²

4.16. Two concessionary companies currently participate in the natural gas market: Sinosky Energy (Holdings) Co. Ltd. is responsible for the importation and transmission of natural gas; and Nam Kwong Natural Gas Company is responsible for the distribution and selling of natural gas. Nam Kwong Petro-chemical Company is the largest supplier of petro-refined products in Macao, China.

4.17. The authorities stated that the Macao, China liquid fuel sector is a mainly unregulated market; the Government maintains minimal regulation, and only over issues such as safety and consumer protection. No concessionary companies enjoy exclusive rights of importing and distributing oil and gas.

4.3 Manufacturing

4.18. The manufacturing sector remains small in Macao, China's economy. During the period under review, it represented less than 1% of total gross value added (GVA) (Section 1.1); similarly, manufacturing employed only 1.6% of the total labour force in 2019 (down from 3.0% in 2012).¹³ In 2018, nearly all enterprises (98.9%) in the manufacturing sector were SMEs, employing less than 100 persons each.¹⁴ The average number of persons employed per establishment in the manufacturing sector was 12.3, in the same year.¹⁵

4.19. Food and beverages remained the principal manufacturing subsector throughout the review period; the industry accounted for 48.9% of total manufacturing GVA in 2018, and demonstrated steady growth (up from 30.8% in 2012) as a result of stable internal consumption and the continuous arrival of tourists (Table 4.3). Publishing and printing grew steadily in the last few years, to become

¹¹ Xinhua News Agency, *Macao and the Mainland sign a supplementary agreement on power cooperation, clean power accounts for more than 40%*. Viewed at: http://www.xinhuanet.com/qangao/2017-06/28/c_1121229367.htm.

¹² Examples of these regulations include: Technical Regulations on the Natural Gas Transmission Pipelines; Technical Regulations on the Natural Gas Transmission Pipelines and the Distribution of Pressure Reduction Stations; and Technical Regulations for the Natural Gas Distribution Network.

¹³ DSEC, *Statistics database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

¹⁴ DSEC, *Industrial Survey 2018*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=a520644a-b71a-41c8-9689-88a647063fa6>.

¹⁵ DSEC, *Industrial Survey 2018*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=a520644a-b71a-41c8-9689-88a647063fa6>.

the second largest manufacturing subsector in terms of GVA in 2018, followed by the cement and concrete subsector, owing to the constant high demand from the construction sector (e.g. for infrastructure, residential and commercial constructions). However, the wearing apparel and textiles subsectors shrank during the review period, mainly due to sluggish external demand and intense competition from other countries.¹⁶

Table 4.3 Structure of the manufacturing industry in 2012, 2015 and 2018

Sector	Year	Establish-ments (no.)	Persons employed (no.)	(MOP million)		
				Value of production and other receipts	Gross value added	Gross fixed capital formation
Manufacturing	2012	912	11,964	6,660	1,682	120
	2015	893	10,821	7,142	2,164	146
	2018	907	11,201	7,100	2,545	273
Textiles	2012	17	470	528	70	6
	2015	18	406	381	63	23
	2018	9	128	234	10	10
Wearing apparel	2012	175	3,213	1,260	223	18
	2015	135	1,356	525	131	5
	2018	103	1,155	419	199	3
Food products and beverages	2012	267	3,934	1,320	518	32
	2015	317	4,655	1,741	690	40
	2018	414	5,527	2,633	1,246	131
Publishing and printing	2012	166	1,704	609	250	8
	2015	177	1,857	762	308	45
	2018	186	1,891	721	321	49
Cement and concrete	2012	9	380	1,536	466	3
	2015	10	457	2,034	506	49
	2018	10	399	1,206	258	-10
Chinese medicine	2012	..	..	..	..	..
	2015	6	71	29	8	1
	2018	6	107	41	3	11

.. Not available.

Source: DSEC, *Industry Survey*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=a520644a-b71a-41c8-9689-88a647063fa6>; and information provided by the authorities.

4.20. Macao, China remained a net importer of manufactures throughout the review period; its trade deficit increased from USD 6.8 billion in 2013 to USD 7.1 billion in 2019, due to higher imports of machinery and transport equipment, chemicals, and consumer goods (e.g. jewellery of gold, silver or platinum group metals).¹⁷

4.21. The European Union and Mainland China were the major suppliers for Macao, China's imports, accounting for more than 60% of total manufacturing imports (31.5% for the European Union, and 29.1% for Mainland China) in 2019.¹⁸ Major imported items included consumer goods (e.g. jewellery, watches, and handbags) and machinery and transport equipment, accounting for 42.3% and 23.5% of total manufacturing imports, respectively (Table 4.4).

4.22. Macao, China's exports (including re-exports) increased to USD 1,059 million in 2019, up from USD 658 million in 2013. Hong Kong, China was the largest market, accounting for 81.9% of total manufacturing exports in 2019, followed by Mainland China (11.7%). Macao, China has a small domestic export base (6.6% of total manufacturing exports in 2019), and its export structure mainly comprises re-exports, which accounted for 93.4% of total manufacturing exports in 2019. The main re-exported products were telephone sets, jewellery with diamonds mounted or set, watches, beauty or make-up preparations for the care of the skin, optical fibre connectors, optical fibre bundles or cables, and toys. In 2019, the principal manufacturing re-exports were destined to Hong Kong, China and Mainland China.¹⁹

¹⁶ Information provided by the authorities.

¹⁷ WTO Secretariat calculations, based on data provided by the authorities. A product group of manufactures is based on the classification of SITC Rev.3. Export figures include re-exports.

¹⁸ WTO Secretariat calculations, based on data provided by the authorities.

¹⁹ DSEC, *External merchandise trade*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>; and the information provided by the authorities.

Table 4.4 Trade in manufactured goods, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Imports (USD million)	7,477	8,246	7,769	6,293	6,725	8,039	8,145
% of total imports	73.7	73.2	73.3	70.5	71.2	72.0	72.9
(% of total manufacturing imports)							
Chemicals	9.0	9.5	10.5	13.1	13.1	14.7	19.0
Beauty or make-up preparations for the care of the skin	4.5	4.6	4.8	5.7	6.0	7.5	10.7
Other semi-manufactures	3.9	4.5	6.6	6.0	5.3	4.6	4.0
Machinery and transport equipment	29.5	31.3	31.8	27.6	26.6	27.8	23.5
Non-electrical machinery	3.0	4.0	3.7	3.8	3.4	2.6	2.3
Electrical machines	19.4	20.7	22.3	19.4	18.8	20.2	16.8
Transport equipment	7.1	6.6	5.8	4.4	4.4	5.0	4.4
Clothing	5.9	6.2	6.6	8.3	8.2	8.5	9.3
Other consumer goods	47.7	44.2	40.7	42.2	44.6	42.5	42.3
Handbags	4.7	4.2	3.7	4.2	5.1	4.9	5.5
Wrist-watches, pocket watches, etc.	9.1	9.9	7.8	7.2	6.8	7.1	6.9
Jewellery of gold, silver or platinum group metals	20.8	16.7	13.7	13.8	14.8	14.1	12.9
Other	3.9	4.2	3.8	2.8	2.1	1.9	1.9
Exports (USD million)^a	658	753	848	743	833	914	1,059
% of total exports	57.8	60.7	63.4	59.2	59.3	60.5	66.8
(% of total manufacturing exports)							
Chemicals	3.5	3.8	6.6	3.9	4.2	6.7	7.7
Beauty or make-up preparations for the care of the skin	1.6	1.4	1.4	1.8	1.8	5.1	6.1
Machinery and transport equipment	42.9	39.5	29.2	26.5	27.0	35.2	31.4
Electrical machines	35.8	29.7	21.5	20.0	22.9	31.9	28.9
Clothing	13.5	11.4	10.9	10.6	11.8	8.2	12.5
Other consumer goods	36.5	41.3	49.5	55.9	54.1	47.8	46.5
Wrist-watches, pocket watches, etc.	6.8	12.8	16.8	13.8	13.1	13.6	10.5
Articles for funfair, table or parlour games	5.5	4.4	5.4	9.6	6.9	7.4	4.4
Jewellery of gold, silver or platinum group metals	9.3	9.1	10.3	9.0	13.1	9.6	12.4
Other	3.6	4.0	3.8	3.1	2.9	2.2	2.0
Memo: trade balance (USD million)	-6,818	-7,492	-6,921	-5,549	-5,891	-7,124	-7,086

a Including re-exports.

Note: Definition of manufacture according to SITC Rev.3 (SITC codes: 5+6+7+8-68-891).

Source: WTO Secretariat's calculations, based on data provided by the authorities.

4.23. The Macao SAR Government continues to support brand-building for domestic industries, by developing "Made in Macao" products, and through industrial upgrading and transformation.²⁰ According to the authorities, since the last Review, the Government has encouraged large companies (mainly gaming operators) to consider procuring products and services from SMEs, which is likely to benefit local manufacturers, especially those producing food and beverages, and apparel.²¹ The authorities noted that encouraging business cooperation between large enterprises and SMEs has contributed to the shaping of a model of mutual benefit, under which the growth of SMEs is stimulated by the procurement made by the large enterprises, while the large enterprises benefit from the flexibility and highly-customized goods and services provided by SMEs. In recent years, large corporations have also organized various SMEs support programmes, including training workshops, and business-matching sessions.

4.24. The Macao SAR Government supports SMEs as part of its efforts to diversify the economy; this goal was emphasized in the Five-Year Development Plan (2016-20).²² The Government provides financial support to SMEs in order to underscore their efforts to enhance their capabilities and improve their operating conditions (Section 3.3.1.2.3). Financial support includes interest-free financial assistance, credit guarantees for loans, and financial assistance for young entrepreneurs (e.g. through offering interest-free loans). The Government also offers and organizes training and

²⁰ Macao SAR Government, *The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*, September 2016. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

²¹ Information provided by the authorities.

²² Macao SAR Government, *The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*, September 2016. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

certification programmes for product development, and quality standards, and for R&D progress geared towards developing marketable products, among others.

4.25. In addition to continuous support to SMEs, the Macao SAR Government has been promoting the development of high value-added manufacturing products and processes, including diamond processing, diamond analysis and grading, and jewellery design. Legislation on the implementation of the Kimberley Process Certification Scheme (KPCS) for international trade in rough diamonds came into force on 1 October 2019 (through Mainland China's participation).²³ This allows Macao, China to formally engage in the international trade in rough diamonds²⁴ in line with the KPCS.²⁵ In the authorities' view, Macao, China could become a rough diamond trading hub, and investments in processing and manufacturing establishments could be drawn to Macao, China.²⁶ Operators who engage in rough diamond economic activities (including import, export, transit, purchase, sale, and transport) are required to apply for an operating licence from the DSE. The operating licence is valid for two years. For rough diamond import/export or transit activities, operators are required to apply for an import/export/transit license from the DSE, thorough the EDI system (Section 3.1.1).²⁷ The electronic application for an export license automatically comprises that for the Kimberley Process Certificate. The licences issued by the DSE are free of charge, while the fee for each Kimberley Certificate issued is MOP 70.²⁸

4.26. Among the economic stimulus package and financial measures in order to reduce financial constraints faced by SMEs due to COVID-19 (Section 1), Macao, China implemented a series of support measures since early 2020, including tax-relief, tax-exemption, and financial measures (i.e. subsidies). For example, it launched SME interest-subsidy scheme; it provides an interest subsidy up to 4% per year on a bank loan of maximum MOP 2 million for up to three years to eligible SMEs (subject to government assessment).²⁹ The scheme is governed by Administrative Regulation No. 5/2020 and, in accordance with Chief Executive Decision No. 66/2020, the implementation period is from 17 March to 17 September 2020. As at 24 July 2020, there had been 4,407 applications, of which 3,917 had been approved, involving total subsidized bank loans of MOP 5.05 billion. Eligible companies are also entitled to a grant, ranging from MOP 15,000 to MOP 200,000, depending on the number of employees. Public utilities companies and certain entities such as public telecommunications firms, public bus operators, light rapid transit system operators, financial service businesses, formal education institutes and higher education institutes, social service agencies, and gaming operators are excluded from the support measures.³⁰

4.27. Applied duties for imported goods in the manufacturing sector are zero-rated; however, only 19.2% of non-agricultural tariff lines are bound in the WTO. Certain goods (e.g. pharmaceutical products, and chemical products) are subject to licences (Section 3.1.3). At the bilateral level, the CEPA supported the manufacturing sector, as duty-free treatment applies to goods made in Macao, China for which rules of origin were established when entering Mainland China. Upon the signature of the Agreement on Trade in Goods under the CEPA in 2018 (Section 2.3.3.1), rules of origin for nearly all goods were established, providing a stimulus to the manufacturing sector in the long term. Moreover, the CEPA promoted trade facilitation and improved customs cooperation between Macao, China and Mainland China (Section 3.1).

²³ Administrative Regulation No. 15/2019. Viewed at: <https://bo.io.gov.mo/bo/i/2019/33/lei15.asp#15>.

²⁴ Rough diamonds refer to HS codes 7102.10, 7102.21 and 7102.31. DSE, *FAQ*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pg_et_kpl_faq?refresh=true.

²⁵ The KPCS regulates trade in rough diamonds, aiming to prevent the flow of conflict diamonds and to help protect legitimate trade in rough diamonds. Pursuant to requirements under the KPCS, all international trade in rough diamonds must be accompanied by a KPCS Certificate issued by the government of the exporting country or territory. Importing rough diamonds without a Certificate issued by a KP member is prohibited, as is exporting rough diamonds to non-KP members.

²⁶ Information provided by the authorities.

²⁷ DSE, *Kimberley Process Certificate and Import/Export/Transit License Applications*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pg_et_kpl_ac?refresh=true.

²⁸ DSE, *Export License – Kimberley Process Certification Scheme*. Viewed at: https://www.economia.gov.mo/en_US/web/public/pg_apq?slug=ps-1319h.

²⁹ Macao SAR Government Portal, *Government announces five-pronged approach to help residents, business ride out current adversity*. Viewed at: <https://www.gov.mo/en/news/122812/>.

³⁰ Information provided by the authorities, and Macao SAR Government Portal, *10-billion-pataca fund aiming to bolster support for employees and businesses*. Viewed at: <https://www.gov.mo/en/news/124630/>.

4.4 Services

4.4.1 Features

4.28. Macao, China has a services-dominated economy; services are becoming increasingly more important and diversified, although gaming and tourism earnings continue to be the main foreign exchange earners. Services account for 90% of GDP and a similar percentage of total employment. Among services, gaming is the biggest subsector, accounting for almost 50.5% of GDP in 2018. Other services activities of importance include financial services, tourism, the organization of conventions and exhibitions, retail services, cultural and creative industries, traditional Chinese medicines, and professional services. Exports of services accounted for 80.1% of GDP in 2019.

4.29. Macao, China's GATS Schedule does not contain any horizontal commitments. However, it does contain specific commitments, including in: business services (rental leasing services, without operators, related to other transport equipment); financial services (all insurance and insurance-related services, reinsurance and retrocession, services auxiliary to insurance, and banking and other financial services); tourism and travel-related services (hotels and restaurants, excluding catering, and travel agencies and tour operator services).³¹

4.4.2 Financial services

4.30. Financial services accounted for 6.6% of GDP in 2018. The industry comprises banks, other financial institutions, and insurance companies. Macao, China does not yet have well-established capital markets, but is fostering the development of the bond market.

4.31. The Monetary Authority of Macao (*Autoridade Monetária de Macao*, AMCM), an autonomous institution created in July 1989, supervises the financial services sector, and is responsible for exercising central bank functions.³² The AMCM supervises monetary and financial operations according to the terms established in the regulatory statutes governing each respective area (see below), and advises the Macao SAR Government on policies which facilitate the long-term growth sustainability of the financial sector. The AMCM is also in charge of streamlining the legal and regulatory framework, as required, of adopting international best practices for the development of Macao, China as a financial services centre, particularly as a financial service platform between China and Portuguese-speaking countries (PSCs). The functions of the AMCM, in accordance with its Statute as approved by Decree-Law No. 14/96/M, include: (i) advising and assisting the Chief Executive in formulating and applying monetary, financial, exchange rate and insurance policies; (ii) guiding, co-ordinating and overseeing the monetary, financial, foreign exchange and insurance markets, ensuring their smooth operation, and supervising the actions of those operating within them according to the terms established in the regulatory statutes governing each respective area; (iii) monitoring internal monetary stability and the external solvency of the local currency, ensuring its full convertibility; (iv) exercising the functions of a central monetary depository, and managing foreign exchange reserves and other foreign assets; and (v) monitoring the stability of the financial system.³³

4.32. The main legislation governing financial services in Macao, China includes the Financial System Act of Macao, promulgated on 5 July 1993. Other laws and regulations governing the financial sector include the Merger and Division of Financial and Insurance Institutions (Law No. 3/95/M of 13 March 1995); Decree-Law No. 16/95/M of 3 April 1995 (Use of Local Currency); Decree-Law No. 39/97/M, 18 September 1997 (Foreign Exchange Regime); Decree-Law No. 15/83/M of 26 February 1983 (Finance Companies); Administrative Regulation No. 7/2003 (Conservation of Documents of Financial Entities Excluding those pertaining to Insurance Sector); Law No. 9/2012 of 9 July 2012 (Deposit Protection Regime); and Administrative Regulations No. 23/2012, and No. 24/2012, both of 8 October 2012 (Deposit Protection - Compensation Limit of Deposit Protection Regime and Deposit Protection Fund). During the period under review,

³¹ WTO document GATS/SC/50, 15 April 1994.

³² Although the current name of the institution is *Autoridade Monetária de Macao*, its acronym AMCM corresponds to the previous name in Portuguese, *Autoridade Monetária e Cambial de Macau*. When the Macao, China Special Administrative Region was established on 20 December 1999, the name of the institution became the Monetary Authority of Macao, but the acronym AMCM was maintained. AMCM, *History*. Viewed at: <https://www.amcm.gov.mo/en/about-amcm/history>.

³³ AMCM, *Goals*. Viewed at: <https://www.amcm.gov.mo/en/about-amcm/goals>.

Macao, China passed Law No. 15/2018, of 27 December 2018, revoking its offshore regime, to better align with international practices on this subject. The Law repealed the offshore regime and all related tax benefits, with a transition period up to 31 December 2020, during which offshore companies may still benefit from some tax exemptions.

4.33. Under the Financial System Act, the following credit institutions require a licence, granted on a case by case basis by the Chief Executive, on advice from the AMCM: banks incorporated in Macao, China; Macao, China, China branches of banks incorporated overseas; the Postal Savings Office; and other credit institutions.³⁴ No economic needs test is performed. In addition, under Decree-Law No. 15/83/M of 26 February 1983 and Decree-Law No. 51/93/M of 20 September 1993, a licence is required to operate finance companies and financial leasing companies.

4.34. As at December 2019, there were 30 banks in Macao, China, a financial company and a non-bank credit institution dedicated to the issuance and management of electronic-money stored-value card services. Other institutions under the supervision of the AMCM include 2 financial leasing companies, 11 money changers, 6 exchange counters, 2 cash remittance companies, 2 financial intermediaries, 2 payment service institutions, and 2 other financial institutions (one is a representative office). These institutions were authorized to operate under their respective legislation, namely, Law No. 6/2019 and Law No. 7/2019, both of 8 April 2019, for financial leasing companies³⁵, Decree-Law No. 38/97/M of 15 September 1997 for money changers, Decree-Law No. 15/97/M of 5 May 1997 for cash remittance companies, and Articles 116 to 120 of Part III of the Financial System Act for financial intermediaries and other financial institutions.

4.35. Mergers of financial sector companies are ruled by the same regulations that govern any commercial merger. The merger requires the approval of the Chief Executive of the Macao SAR, on advice from the AMCM. Mergers can take place among financial institutions of different types; the exception is the insurance business, where merging companies must be insurance companies and the result of the merger must also be an insurance business.

4.4.2.1 Banking

4.36. The banking sector is regulated by the AMCM under the Macao Financial System Act (FSA) (Decree-Law No. 32/93/M of 5 July 1993). Decree-Law No. 58/99/M of 18 October 1999, which regulated offshore activities including the establishment of offshore financial institutions, was revoked in 2018 by Law No. 15/2018.

4.37. The banking sector is large, and is mainly foreign-owned. Banking assets are large compared to the size of the economy; they accounted for more than 400% of GDP in early 2019.³⁶ As the IMF noted, although the balance sheets of the banking system appear to be sound, its large scale calls

³⁴ Under Article 22 of the FSA (Procedures for Application for Authorization), entities wishing to incorporate a credit institution in Macao, China shall submit their application through the AMCM, accompanied by: (i) a memorandum demonstrating the economic and financial reasons for wishing to incorporate the institution, indicating its feasibility and the manner in which the same shall fit into the economic and financial policies pursued by the competent authorities of Macao, China; (ii) a description of the institution, giving its location and details of the technical and human resources at its disposal; (iii) a draft of the memorandum and articles of association; and (iv) personal and professional identification of the founding shareholders, indicating the percentage of their respective holdings in the share capital and a statement confirming the adequacy of the shareholding structure with regard to the stability of the institution. There are additional requirements for shareholders who are corporate bodies with a holding equal to or greater than 5% of the share capital of the institution to be incorporated.

³⁵ Law No. 6/2019 updated the legal framework of financial leasing companies. The legal definition of financial leasing companies and subsidiaries was modified to limit their scope of action to financial leasing activities exclusively, and to activities authorized by the AMCM. Financial leasing companies must incorporate as either a public limited company or a private limited company, with prior authorization of the Chief Executive following the opinion of the AMCM. The minimum capital requirement is MOP 10 million (MOP 30 million in the previous Law), fully subscribed and paid up on incorporation. Law No. 6/2019. Viewed (in Portuguese) at: <https://bo.io.gov.mo/bo/i/2019/14/lei06.asp>. Law No. 7/2019 updates the legal regime of tax benefits for financial leasing and sets an income tax rate of 5% for financial leasing income. The law also establishes exemptions regarding the payment of stamp duty. Law No. 7/2019. Viewed at: <https://bo.io.gov.mo/bo/i/2019/14/lei07.asp>.

³⁶ AMCM, *Financial Soundness Indicators*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics/financial-soundness-indicators>.

for continued supervisory caution. Attention to large short-term foreign liabilities and to the quality and liquidity of foreign assets is especially needed.³⁷

4.38. As noted above, in 2019, there were 30 banks in Macao, China, 2 more than in the previous Review in 2013: 29 commercial banks and 1 Postal Savings Bank. Of these, 12 were locally incorporated (including the Postal Savings Bank, which is owned by the Macao SAR Government), and 18 were branches of banks incorporated outside Macao, China (Table 4.5). In addition to the local capital, the banking sector comprises banks from: Mainland China; Chinese Taipei; Hong Kong, China; Portugal; Singapore; the United Kingdom; and the United States.³⁸ As at September 2019, the top three banks accounted for 65% of total banking sector assets. The two offshore banks in existence at the time of the previous Review were closed in 2018, due to a change in their group strategies and the passing of new legislation terminating the regime (see above).

Table 4.5 Financial institutions, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Banks							
Total ^a	28	28	28	28	29	29	30
Local	10	9	9	9	9	11	11
With head-office abroad	18	19	19	19	20	18	19
Number of banking outlets ^b	186	194	199	200	210	213	221
Number of ATMs	1,081	1,134	1,299	1,507	1,691	1,764	1,777
Number of staff	5,553	5,726	6,042	6,096	6,210	6,456	6,835

a Excluding the Postal Savings Bank.

b Including main offices, branches, and sub-branch offices in Macao, China.

Source: Information provided by the AMCM.

4.39. In accordance with the FSA, credit institutions incorporated in Macao, China must maintain a minimum capital of MOP 100 million. Branches of credit institutions incorporated overseas which are authorized to operate in Macao, China are required to maintain at all times in Macao, China, in certain categories of assets defined by an AMCM notice, an amount equal to at least 50% of the minimum capital required for constituting institutions of the same type.

4.40. Circular No. 003/B/2011-DSB/AMCM, of 13 January 2011, provides the Guideline on Management of Liquidity Risk for Banks. Among other things, it states that banks should maintain an adequate stock of high-quality liquid assets to cater for any expected liquidity pressures or fluctuations, under both normal and adverse operating conditions. In this respect, the average weekly amount of cash in the hands of a bank shall not be less than the sum of 3% of call liabilities, 2% of liabilities up to three months excluding call liabilities, and 1% of liabilities beyond three months; and the amount of specified liquid assets of a bank at the end of each month shall not be less than 30% of its total basic liabilities.³⁹

4.41. New provisions were incorporated into the legislative and regulatory framework on anti-money-laundering (AML) and combatting the financing of terrorism (CFT) during the period under Review. The Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Guideline, contained in Circulars No. 021/B/2016-DSB/AMCM of 15 June 2016, No. 030/B/2016-DSB/AMCM of 2 December 2016, and No. 006/B/2019-DSB/AMCM of 30 January 2019, superseded the two previous guidelines promulgated by the AMCM under Notice No. 010/2009-AMCM of 24 July 2009.⁴⁰ The Guideline incorporated the recommendations of the

³⁷ IMF (2019), *People's Republic of China — Macao Special Administrative Region: 2019 Article IV Consultation Discussions - Press Release; Staff Report; and Statement by the Executive Director for Macao SAR*. IMF Country Report No. 19/123, May 2019. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/05/06/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2019-Article-IV-Consultation-46867>.

³⁸ AMCM, *Branches of banks incorporated overseas*. Viewed at: <https://www.amcm.gov.mo/en/banking-sector/institutions-list/branches-of-banks-incorporated-overseas>.

³⁹ Circular No. 003/B/2011-DSB/AMCM (Date: 13/01/2011), *Guideline on Management of Liquidity Risk*. Viewed at: https://www.amcm.gov.mo/files/banking_sector/rules_and_guideline/notices_and_guidelines/launch_version_liquidity_management_eng.pdf.

⁴⁰ Circular No. 021/B/2016-DSB/AMCM of 15 June 2016, Circular No. 030/B/2016-DSB/AMCM of 2 December 2016, Circular No. 006/B/2019-DSB/AMCM of 30 January 2019, Anti-Money Laundering (AML) and

Financial Action Task Force (FATF), and the relevant best practices released by it. The Guideline also took into consideration opinions from the relevant sector on the implementation of AML/CFT measures, and the findings of the AMCM's ongoing supervision related to AML/CFT compliance. The Guideline sets out the key requirements for credit institutions and other financial institutions to fulfil the relevant AML/CFT statutory and regulatory obligations, including on customer acceptance policies, risk assessment, and customer due diligence. In August 2019, these Guidelines were also extended to gaming-related customers (see below).

4.42. During the review period, a number of regulations to strengthen the supervision of the financial system were introduced. These include those on capital adequacy, such as Notice No. 011/2015-AMCM, which mandates that all credit institutions incorporated in Macao, China observe a capital adequacy ratio of not less than 8%. Circular No. 016/B/2015-DSB/AMCM contains the Guideline on the Appointment of External Auditors of Credit Institutions, Duties and Responsibilities of External Auditors and their Relationship with the AMCM.⁴¹ Circular No. 011/B/2019-DSB/AMCM, effective 23 August 2019, on Industry Guidance on AML/CFT Controls – "Gaming-related" Customers (supplementary to the AMCM AML/CFT Guideline) introduces further regulations to deal with the potential risks associated with gaming activities. The Guideline calls for a stricter customer acceptance policy, including obtaining approval from the Gaming Inspection and Coordination Bureau of Macao, China before opening bank accounts with the purpose of moving funds related to gaming activities carried out in Macao, China. Moreover, the Guideline prohibits banks from establishing business relationships with overseas gaming operators and their related companies and junket promoters with the purpose of organizing the movement of funds from gaming activities outside Macao, China. The Guideline also calls for conducting enhanced due diligence procedures when banks maintain business relationships with gaming-related customers. This may include: obtaining further information on their operations, especially the types of activities conducted in Macao, China; obtaining further information on the purpose of the account held by the gaming-related customer, and on the reasons for the intended and/or performed transactions; and conducting enhanced monitoring of business relationships by obtaining additional documentary evidence for each transaction performed.⁴²

4.43. Credit continued to be directed mostly to traditional banking activities during the period under review. Real estate-related credit continued to account for a significant share in banks' assets, representing 36.5% of total credit in the second quarter of 2019.⁴³

4.44. Reflecting the rapid pace of economic growth, total gross assets of the banking sector reached about MOP 2.02 trillion at end-2019, up by 12.9% from the previous year and more than double that of late-2013 (Table 4.6). Credit to customers accounted for 53.3% of total banking assets, and interbank assets represented 26.4% of the total. The percentage of credit granted to non-residents was 52.7% of all credit granted to customers. Customer deposits represented 62.3% of total fund sources in 2018.

4.45. Banks' operating profits attained a historical high in 2019, when they increased by 6.2% with respect to 2018, to MOP 17.1 billion (Table 4.7). Net interest income is the main source of banks' gross income; interest income increased by 23.4% between 2018 and 2019. The interest margin, or net interest income, registered a year-on-year growth of 2% in 2019, reaching MOP 20.6 billion, whereas non-interest income increased by 11.8% in 2019 as banks recovered from the losses on financial investments and declines in fees and commissions experienced in 2018.⁴⁴ Meanwhile, the ratio of interest margin to gross income rose from 73.7% in 2018 to 78.3% in 2019 (Table 4.7). Return on equity (ROE) was 19.8% in 2019 (down from 21.2% in 2018) but fell to a preliminary

Combating the Financing of Terrorism (CFT) Guideline. Viewed at: https://www.amcm.gov.mo/files/banking_sector/rules_and_guideline/notices_and_guidelines/aml_cft_guideline_eng_2019_final.pdf.

⁴¹ Circular No.016/B/2015-DSB/AMCM. Viewed at: https://www.amcm.gov.mo/files/banking_sector/rules_and_guideline/notices_and_guidelines/circular_016_b_2015_eng.pdf.

⁴² AMCM, Circular No. 011/B/2019-DSB/AMCM (Effective Date: 23 August 2019), *Industry Guidance on AML/CFT Controls – "Gaming-related" Customers (Supplementary to the AMCM AML/CFT Guideline)*. Viewed at: https://www.amcm.gov.mo/files/banking_sector/rules_and_guideline/notices_and_guidelines/industry_guidance_to_banks_overseas_gaming_activities_english.pdf.

⁴³ AMCM, *Financial Soundness Indicators*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics/financial-soundness-indicators>.

⁴⁴ AMCM, Research and Statistics Department (2019), *Monetary and Financial Stability Review*, July 2019. Viewed at: https://www.amcm.gov.mo/files/research_and_stats/research_and_publication/quarterly_report_issue_no_52/05_mfsr_201907_en.pdf.

18.3% in the second quarter of 2020, reflecting the effects of the COVID-19 pandemic. The return on assets (ROA), measuring banks' efficiency in using their assets, held steady from a year earlier at 1.0% in 2018, but fell to 0.9% in 2019 (Table 4.7), and further in 2020, to a preliminary 0.9% in the second quarter.

Table 4.6 Financial highlights of the banking sector, 2013-19

(MOP billion)

	Total assets	Credit to customers	Deposits from customers	Interbank assets	Interbank liabilities
2013	990.3	534.7	680.5	326.8	221.7
2014	1,174.4	689.7	791.0	347.3	267.6
2015	1,340.8	760.9	860.0	388.9	339.6
2016	1,390.4	784.3	941.8	379.6	283.9
2017	1,523.7	896.0	1,022.5	358.7	317.8
2018	1,784.9	1,007.2	1,114.2	463.0	432.6
2019	2,015.2	1,072.9	1,163.6	539.4	592.6

Source: AMCM, *Annual Report*, different issues. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/annual-reports>; and AMCM, *Statistics*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics/monetary-and-financial-statistics-time-series>.

Table 4.7 Profitability of the banking sector, 2013-19

(MOP million)

	2013	2014	2015	2016	2017	2018	2019
Interest income	22,141	29,933	32,581	30,072	34,465	47,658	58,817
Interest costs	10,659	15,538	16,760	14,419	17,342	27,467	38,232
Net interest income	11,482	14,395	15,822	15,653	17,124	20,191	20,586
Other income	3,829	4,961	6,290	7,211	7,864	6,761	7,562
Operating costs	6,843	8,352	9,305	8,585	10,091	10,880	11,074
Operating profits	8,468	11,004	12,807	14,279	14,897	16,073	17,073
Cash flow	10,272	13,190	14,858	15,668	16,989	18,307	18,801
Earnings and profitability^a							
Return on assets (ROA), %	1.0	1.0	1.0	1.1	1.0	1.0	0.9
Return on equity (ROE), %	25.1	28.1	25.8	23.7	21.9	21.2	19.8
Interest margin to gross income	78.2	77.7	68.4	66.1	72.5	73.7	78.3
Non-interest expenses to gross income	37.4	43.1	42.6	36.8	39.0	37.1	40.2
Asset quality^a							
Non-performing loans to total gross loans	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Capital adequacy^a							
Regulatory capital to risk-weighted assets	14.8	14.2	15.1	16.1	15.7	14.8	14.2
Regulatory Tier 1 capital to risk-weighted assets	11.2	9.9	11.6	11.7	11.4	10.5	10.4
Non-performing loans, net of provisions to capital	-0.3	0.6	0.2	0.8	1.2	1.1	1.7
Liquidity^a							
Liquid assets to total assets	38.2	35.8	34.8	36.0	30.8	32.5	33.2
Liquid assets to short-term liabilities	65.3	60.1	60.5	60.6	53.0	62.1	57.6

a Data for fourth quarter of each year.

Note: Including the Postal Savings Bank, but excluding non-bank credit institutions. Figures for 2019 are preliminary.

Source: AMCM, *Financial Soundness Indicators*. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/statistics/financial-soundness-indicators>; and *Annual Report*, different issues. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/annual-reports>.

4.46. The non-performing loans ratio remained low during the review period, at 0.2% in 2019, slightly up from 0.1% at end-2013; in the second quarter of 2020, the ratio rose to 0.3%. Capital adequacy levels remain high: the consolidated capital adequacy ratio for the banking system was 14.2% in 2019, the same as at end-2013; the ratio rose to 14.6% in the second quarter of 2020. This is well above the 8% minimum capital adequacy requirement set by the Basel Committee on Banking Supervision of the Bank for International Settlements, and by Notice No. 011/2015-AMCM, which mandates that all credit institutions incorporated in Macao, China must observe a capital adequacy ratio of not less than 8%.⁴⁵

⁴⁵ Notice No. 011/2015-AMCM. Viewed at: https://www.amcm.gov.mo/files/banking_sector/rules_and_guideline/notices_and_guidelines/notice_no.011_2015_amcm_eng.pdf.

4.47. In the IMF's view, in spite of the large scale of the banking sector, several factors moderate risks on both the domestic and external sides of the balance sheet. On the domestic side, liquidity and asset quality remain strong, mainly due to moderate private-sector leverage and, although exposure to gaming remains large, the balance sheets of gaming operators remain strong. On the external side, although some 65% of the banking sector's foreign liabilities are short-term, its foreign assets largely exceed liabilities. Recognizing recent efforts by the AMCM to strengthen financial supervision, the IMF noted that it could further strengthen the framework for sound fintech adoption.⁴⁶

4.48. Macao, China has a deposit insurance scheme, which was put in place in its current form in 2012. The Deposit Protection Scheme Law No. 9/2012, which entered into force on 7 October 2012, changed the temporary protection scheme to a permanent arrangement. Under this Law, the Government established a Deposit Protection Fund, through which compensation of up to MOP 500,000 is to be provided per depositor, per bank, in the case of bank failure. The Government injected MOP 150 million as start-up capital and, since January 2014, banks are required to make an annual contribution equivalent to 0.05% of their total protected deposits.

4.49. Offshore financial businesses, including credit institutions, insurers and offshore trust management companies, used to be regulated and supervised by the AMCM. By law, they could only transact with non-residents in currencies other than the local currency, and were exempt from profit tax and business registration tax. Until 2018, there were two offshore banks, both from Portugal. However, these two banks were closed in 2018, and there is no longer an offshore banking industry, as the decree-law which regulated the offshore regime was revoked in 2018.

4.4.2.2 Insurance

4.50. In Macao, China, the authority for the supervision, coordination and inspection of the insurance activity and of pension funds rests with the Chief Executive, while the actual execution of these functions is carried out by the AMCM, through its Insurance Supervision Department. The main legislation with respect to insurance includes the Macao Insurance Ordinance (Decree-Law No. 27/97/M of 30 June 1997), the Macao Insurance Agents and Brokers Ordinance (Decree-Law No. 38/89/M as amended by Administrative Regulation No. 27/2001), the amendments to the legal framework for the carrying on of insurance intermediary business (Administrative Regulation No. 14/2003), the Legal Framework for Private Pension Funds (Decree-Law No. 6/99/M of 8 February 1999), and the Amendments to the Legal Framework of Private Pension Funds (Law No. 10/2001).

4.51. As at end-2019, the insurance industry comprised 25 insurance companies, 12 of which were life companies and 13 were involved in non-life business. With respect to the origin of their capital, 10 were local companies and the remaining 15 were branches of overseas companies; 7 are from Hong Kong, China, 4 from Bermuda, and 1 each from Canada, Portugal, and the United States.⁴⁷

4.52. As at end-2019, the intermediary sector comprised 6,726 insurance intermediaries, including 5,072 individual agents, 82 corporate agents, 1,560 salesmen, and 12 brokers.⁴⁸

4.53. As at end-2019, there were two private pension fund management companies, both incorporated in Macao, China. The list of private pension fund managers also included a life insurance company incorporated in Macao, China, and six insurance companies incorporated overseas.⁴⁹

4.54. Five associations represent the insurance industry in Macao, China. The Macau Insurers' Association represents authorized insurance companies, both life and non-life, while the Macau

⁴⁶ IMF (2019), *People's Republic of China — Macao Special Administrative Region: 2019 Article IV Consultation Discussions - Press Release; Staff Report; and Statement by the Executive Director for Macao SAR*. IMF Country Report No. 19/123, May 2019. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/05/06/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2019-Article-IV-Consultation-46867>.

⁴⁷ AMCM, *Insurance authority and market players*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/insurance-sector>.

⁴⁸ AMCM, *Insurance authority and market players*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/insurance-sector>.

⁴⁹ AMCM, *List of Private Pension Fund Managers*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/authorised-insurers/entities-authorised-to-manage-private-pension-funds>.

Insurance Agents and Brokers Association, the Federation of Macau Professional Insurance intermediaries, the Macau Insurance Intermediaries Association, and the Association of Macau Financial Employees represent the intermediary sector.⁵⁰

4.55. The insurance sector continues to show a high degree of concentration: as at the end of the third quarter of 2019, the assets of the largest two life insurers accounted for 79.7% of the whole insurance market, while the three biggest non-life insurers accounted for 63.1% of the market. There is significant foreign participation. Overseas insurers accounted for 96.2% of the life insurance market, while local insurers had 73.3% of the non-life insurance market.

4.56. The Insurance Ordinance mandates that insurance companies be licensed as either a locally incorporated company, a branch with its head office overseas, or a representative office. Locally incorporated companies and branches of foreign insurance companies may conduct insurance business in Macao, China on a national treatment basis; representative offices of an overseas insurance company may not, since they are merely mandataries of the insurers they represent and are prohibited from transacting insurance business. For an insurer incorporated in Macao, China, the required capital is MOP 30 million to conduct life insurance and MOP 15 million for non-life insurance. The required funds for a foreign insurer to establish a branch in Macao, China are MOP 7.5 million to conduct life insurance and MOP 5.0 million to conduct non-life insurance. This capital constitutes an establishment fund and must, at all times, be held in the territory of Macao, China in the form of certain types of assets as defined by Notice of the AMCM. In addition, the capital of the head office of such an insurer should not be less than the minimum capital required for a domestic life or non-life insurer. Insurers are not allowed to conduct both life and non-life business.

4.57. No person, individual or corporate body, may acquire, directly or indirectly, a qualified shareholding in an insurer with a head office in Macao, China, or increase its shareholding in a proportion equal to or higher than 5% of the capital or of the voting rights, without obtaining prior authorization from the AMCM, except if, by nature, this is not possible, in which case the acquisition must be communicated within a maximum period of 30 days from the date of such acquisition or increase. The authorities indicated that this may happen in cases where the parent/holding company is not an insurance company or is an insurance company located in another jurisdiction. In these situations, the indirect acquisition of shares and voting rights of 5% or higher is not subject to the local regulatory authorization.

4.58. The AMCM regulates the conditions and premium rates of compulsory classes of insurance, i.e. motor vehicle (third-party risk), employees' compensation, professional liability for travel agents, professional liability for lawyers, public liability related to the fixing of billboards, public liability for pleasure vessels, and professional liability for healthcare providers. Regarding non-compulsory insurance, insurers are free to design their own insurance cover and set their own premium rates. In 2018, new regulations on the Calculation of Unearned Premium Reserves on an Overall Basis (Notice No. 013/2018-AMCM) and the Registration Fees for Insurance Intermediaries in 2019 (Notice No. 014/2018-AMCM) were issued. In 2019, Requirements for Assets guaranteeing the Technical Reserves (Notice No. 002/2019-AMCM) and Regulations for the Calculation of the Amount of Margin of Solvency (Notice No. 003/2019-AMCM) were issued.⁵¹

4.59. In accordance with the Insurance Ordinance, the required margin of solvency for non-life business is determined in terms of annual gross premium income recorded during the preceding year, net of returns and cancellations: for gross premium income of less than MOP 10 million, the margin of solvency is MOP 5 million. For income between MOP 10 million and MOP 20 million, the margin of solvency should be 50% of said income in that year; and for income above MOP 20 million, the margin of solvency must be MOP 10 million plus 25% of the amount by which the said income in that year exceeds MOP 20 million. If an insurer registers an abnormal loss ratio during the preceding three consecutive years or during any three years of the preceding five years, the margin of solvency required is doubled. The required margin of solvency in respect of life insurance is determined on the basis of the amount of the mathematical reserves or the amount of the capital at risk. The required margin of solvency for life and annuity insurance must be equal to the aggregate of the sum of: (i) 4% of the amount of gross mathematical reserves set up during the year multiplied

⁵⁰ AMCM, *Insurance authority and market players*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/insurance-sector>.

⁵¹ AMCM, *Main Regulations on Insurance Activity and Private Pension Funds*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/rules-and-guidelines/notices-in-force-from-amcm>.

by the ratio resulting from dividing the amount of the mathematical reserves (net of reinsurance cessions) of the current year by the amount of gross mathematical reserves at the end of the preceding year, with a minimum of 85% if such ratio is lower; and (ii) 0.3% of the capital at risk⁵² times the ratio between the amount of capital at risk net of reinsurance cessions and the gross amount of capital at risk at the end of the last preceding year, with a minimum of 50% if such ratio is lower.⁵³ The formulas to be applied to calculate reserves for long-term linked insurance and health insurance are also spelt out in the Insurance Ordinance.

4.60. The insurance sector continued to develop very rapidly during the period under review. Gross premiums for both life and non-life insurance increased exponentially, and total gross premium income reached MOP 21.2 billion (about USD 2.65 billion) in 2018, down from 2017, but up 50% from 2015 and 210% from 2013 (Table 4.8). The insurance penetration rate increased from 1.7% in 2013 to 4.8% in 2018. In 2019, the total gross premium income was an estimated MOP 28.5 billion (about USD 3.56 billion), up 34.5% compared with 2018. There was a 2.1 percentage point increase in the insurance penetration rate.

Table 4.8 Composition of gross premiums, 2013-19

(MOP million)

	2013	2014	2015	2016	2017	2018	2019 ^a
Life	4,964	6,933	12,038	18,367	19,636	18,665	25,577
Non-life	1,861	1,953	2,078	2,156	2,286	2,499	2,887
Total	6,824	8,886	14,116	20,523	21,922	21,164	28,465

a Preliminary data.

Source: AMCM, *Annual Report*, different issues. Viewed at: <https://www.amcm.gov.mo/en/research-statistics/annual-reports>; and AMCM, *Insurance Activity - Annual Reports*. Viewed at: <https://www.amcm.gov.mo/en/insurance-sector/statistics/insurance-activity-annual-reports>.

4.4.3 Telecommunications

4.61. Macao, China did not schedule any commitments pertaining to telecommunications services under the GATS. However, according to the authorities, the telecommunications sector is fully liberalized since 2012. Mobile communication and Internet-related services were liberalized in 2001, and the fixed-line telecom service was liberalized in 2012. Following full liberalization, there are no longer any exclusive telecommunication services in Macao, China. Companies may apply for licences to install and provide public telecommunication networks and services in accordance to the applicable regulations and licensing regimes. However, since, in accordance with Macao, China's initial GATS offers, the liberalization of the telecommunications sector is subject to an economic needs test, the granting of an additional licence may be made conditional upon the needs of the economy.

4.62. As in other economies, the telecommunications sector in Macao, China became more and more mobile- and Internet-oriented during the review period. The penetration rate for mobile telecommunications reached 411.0% in 2019, up from 277.2% in 2012. However, the penetration rate for fixed telephony dropped to 17.1% in 2019, although the fixed broadband penetration increased to 29.3%. As at end-2019, 86.5% of the population (aged three and above) had access to Internet, spending almost 1.6 billion hours on it (Table 4.9). Between 2012 and 2019, one fixed network and four long-term evolution (LTE) networks were deployed.

Table 4.9 Selected telecommunications indicators, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Fixed telephone subscriptions ('000) (including payphones)	162.5	158.4	153.7	147.1	139.2	131.1	124.1	116.4
Fixed telephone subscriptions per 100 inhabitants	27.9	26.1	24.2	22.7	21.6	20.1	18.6	17.1
Mobile-cellular telephone subscriptions ('000)	1,613.5	1,722.2	1,856.5	1,896.1	1,970.0	2,249.1	2,181.2	2,793.5
Mobile-cellular telephone subscriptions per 100 inhabitants	277.2	283.5	291.8	293.2	305.5	344.4	326.8	411.0

⁵² Understood to be the amount payable on death less the mathematical reserves in respect of the principal coverage.

⁵³ Macao Insurance Ordinance. Decree-Law No. 27/97/M of 30 June 1997.

	2012	2013	2014	2015	2016	2017	2018	2019
Internet users (%)	61.3	65.8	69.8	77.6	81.6	83.2	83.8	86.5
Fixed broadband subscriptions ('000)	144.3	151.7	161.4	169.8	178.0	186.6	192.9	199.1
Fixed broadband subscriptions per 100 inhabitants	24.8	25.0	25.4	26.3	27.6	28.6	28.9	29.3
Annual international outgoing telephone traffic (million minutes) ^a	388.2	397.0	388.6	315.9	260.1	211.7	174.7	140.1
Annual Internet usage (million hours)	678.4	814.0	952.5	1,063.7	1,166.9	1,241.9	1,268.8	1,585.4

a Includes traffic generated by fixed and mobile (local and inbound roaming) subscribers.

Source: ITU, *Statistics*. Viewed at: www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx; and DSEC.

4.63. The Macao Post and Telecommunications Bureau (CTT) is responsible for regulating, monitoring, promoting and coordinating activities related to the telecommunications sector.⁵⁴ The main legislation governing the sector is Law No. 14/2001 (the Basic Telecommunications Law)⁵⁵, which establishes the general regulatory framework and the basis of the telecommunications policy. Administrative Regulation No. 41/2004 regulates the telecommunications public network interconnection regime. Licensing arrangements, and other regulatory requirements, are set forth in a number of administrative regulations: Administrative Regulations No. 7/2002 for Mobile Telecommunications Services, No. 24/2002 for Internet Services, and No. 41/2011, which repealed and replaced No. 16/2002, for the Fixed Public Telecommunications Network. Internet service providers (ISPs) providing broadband Internet access service are subject to Administrative Regulation No. 24/2002; they are not considered fixed public telecommunications network operators, so they are not subject to Administrative Regulation No. 41/2004.

4.64. As set forth in the Basic Telecommunications Law, the construction, management, and operation of telecommunications networks⁵⁶ and the provision of telecommunications services are considered public-interest activities, and can only be undertaken by public entities or by private entities with sufficient credentials to engage in such businesses in accordance with applicable regulations. Administrative Regulation No. 41/2011 introduced modifications to the way private entities may engage in telecommunications activities, by replacing the concessions system for a licensing mechanism. The position of the then-existing concessionaire was clarified by Articles 27 and 28 of the Regulation, by exchanging the existing concession for a licence.⁵⁷

4.65. The provision of any telecommunications services by private entities must be licensed by the Government through the CTT. The number of, and the conditions imposed on, licences for the fixed public telecommunications network are subject to the terms and conditions in the relevant public tendering document, the requirements for issuing licences set forth in Article 5 of the Regulation, and a series of other considerations, including the discretion of the Chief Executive, while considering the market's development.⁵⁸

4.66. In 2012, to prop up the development of the liberalized telecommunications market, the Government initiated a public tendering process to issue licences for the installation and operation of fixed public telecommunication networks. In 2013, two licences were granted, one to the existing concessionaire who used to provide the fixed public telecommunication network and other services under a concession contract, and another to a new operator named MTEL Telecommunication Company Limited (MTEL). Licences are granted following a positive list rather than a negative list

⁵⁴ Effective 1 January 2017, the Bureau of Telecommunications Regulation merged with Macao Post, and was renamed the Macao Post and Telecommunications Bureau. See Administrative Regulation No. 29/2016, 2 December 2016.

⁵⁵ The scope of the Basic Telecommunications Law does not include territorial or satellite broadcasting services, especially the radio and television broadcasting services. See Article 1 of the Law.

⁵⁶ Telecommunications networks include the telecommunications infrastructure connected via physical means, such as optical and/or electromagnetic cables, and via radioelectric means, such as radio towers.

⁵⁷ Article 28 of Administrative Regulation No. 41/2011 provided for liberalized services, local leased line services, international leased line services and transit services under concession contract, subject to Administrative Regulation No. 41/2011, instead of to Administration Regulation No. 16/2002. This implied changing from a concession-based regime to a system based on licences.

⁵⁸ Article 5, Administrative Regulation No. 16/2002.

approach; that is, they list the services for which the licence is granted and can be provided by the licensee, rather than the services for which provision is precluded.

4.67. All telecommunications operators must obtain a licence in accordance with the conditions stipulated in the applicable laws or regulations. Obtaining a telecommunications service provider (TSP) licence is subject to public tendering, while obtaining an Internet Service Provider (ISP) licence and a mobile virtual network operator (MVNO) authorization are subject to an application regime. In the case of open public tenders, bidders' requirements are defined in the tendering documents. The licence is transferrable, upon prior CTT approval, in accordance with the applicable regulations. A licensed operator must be a company registered in Macao, China, and the objective of the company must be engaging in business, including the provision of relevant telecommunication services. Upon approval of a licence, the licensee is subject to the payment of a bond, as defined in the tendering documents; the bond serves as a guarantee for the licensee to fulfil the obligations set forth in the licence and is refundable. A licensed operator for the fixed public telecommunications network must have registered capital of not less than MOP 50 million; for mobile telecommunications services, registered capital must be at least MOP 10 million.

4.68. As at end-2019, two operators were licensed for building and operating fixed public telecommunications networks: *Companhia de Telecomunicações de Macau* (CTM), and Telecommunication Company limited (MTEL)).⁵⁹ Five operators, including one MVNO, are licensed to provide mobile telecommunications services.⁶⁰

4.69. As set forth in the Basic Telecommunications Law, the telecommunication policy is to gradually open the provision of construction of public telecommunications networks and of public telecommunications services, so that the public can benefit and make investment opportunities, thereby enhancing competitiveness and promoting sustainable economic and social development in Macao, China.

4.70. Although, currently, each licensed operator, except the MVNO, has its own telecommunications network in addition to the "last mile" connection to end-users⁶¹, the authorities noted that, to cope with the development of 5G and the next generation network, the Government plans to formulate a new convergence regime, to promote technology neutrality and telecommunications infrastructure-sharing. The goal is to achieve the Government's policy of transforming Macao, China into a smart city. To this end, the CTT has prepared a report, and consultations with respect to it have been completed; as at early 2020, the revision process was still a work in progress. Based on the convergence regime, licensees will face less restrictions, and will be allowed to deploy the telecommunications network on services they can provide, such as voice, data, video transmission and Internet access services based on business.

4.71. In general, network operators have a duty to interconnect with each other, either directly or through other operators' facilities. Interconnection agreements are negotiated between parties on a commercial basis; interconnection charges are determined based on commercial considerations.⁶² Interconnection agreements must be submitted to the Macao SAR Government for homologation.⁶³ In the event that a mutual agreement cannot be reached, the Government may step in and mandate interconnection terms and conditions that both parties must adhere to, in order to ensure that the service is maintained.

4.72. Telephone numbers are public-owned assets.⁶⁴ The management and allocation of the numbering resources must be neutral and may not hamper consumers' freedom of choice of

⁵⁹ MTEL has been providing leased lines and Internet services since December 2014.

⁶⁰ In 2015, the Government issued 4G mobile licences to the CTM, Hutchison Telephone (Macao), China Telecom, and SmarTone Mobile Communications (Macao). These companies are allowed to provide public networks for terrestrial 4G mobile telecommunications and roaming 4G mobile telecommunication services.

⁶¹ The portion of the telecommunications network chain that physically reaches the end-user's premises.

⁶² The authorities carry out periodic reviews on interconnection charges, in accordance with Article 12 of Administrative Regulation No. 41/2004. The authorities noted that the obligation to enforce the non-discrimination principle for interconnection, as set forth in Article 4 of Regulation, refers to telecommunications traffic handling. Interconnection performance for telecommunications traffic must be the same for all interconnecting operators. However, interconnection fees/charges may differ between different operators.

⁶³ Article 9, Administrative Regulation No. 41/2004.

⁶⁴ Article 2, Administrative Regulation No. 15/2002.

operators or service providers. Consumers may therefore port their numbers across networks, without restrictions.

4.73. An administrative assignment approach was adopted for mobile spectrum management. The available spectrum is assigned upon request, provided that the request is considered appropriate.

4.74. To provide Internet services, a licence from the Secretary for Transport and Public Works must be obtained. As at mid-2020, 19 companies had a licence to operate some kind of Internet service. Of these, 10 were access ISPs, with licences for the provision of public Internet access services, and 9 had Internet content provider licences, and were not licensed to provide public Internet access.⁶⁵ ISPs are subject to Administrative Regulation No. 24/2002.

4.75. Pursuant to the universal service requirement of the Basic Telecommunications Law, all telecommunications service operators are mandated to provide full coverage for their licensed services within a certain time frame from the commencement of operations. All operators basically cover the whole area of Macao, China.

4.76. The CTT is responsible for maintaining competition in the sector. Competition-related provisions are scattered throughout different regulations and laws; Article 8 of the Basic Telecommunications Law stipulates that all forms of cross-subsidization or other practices that subvert competition or the user's freedom of choice are prohibited. Prices of fixed telecommunications service products are subject to approval by the CTT prior to rolling out in the market. Prices of mobile telecommunications service products only require notification if they are based upon a pre-approved framework, and prices of Internet services only require notification. The Herfindahl-Hirschman Index (HHI)⁶⁶ for Macao, China's mobile telecommunications market was 0.281 as at October 2019.

4.77. Licensed network operators currently pay a royalty of 5% of all revenue from licensed services and are subject to a radio spectrum fee for spectrum usage. The mobile spectrum fee is calculated according to a radio licence fee table approved by Administrative Regulation No. 16/2010 (with respective amendments in 2011, 2012, 2015 and 2018). No specific tax incentives are provided to telecommunications operators.

4.78. Public telecommunications network operators do not have any tax liability when importing telecommunications equipment and materials, as no import tax is applied to these products.

4.4.4 Postal and courier services

4.79. Pursuant to Decree-Law No. 88/99/M, Macao Post (CM) is the statutory universal service provider for postal services in the territory. Effective 1 January 2017, the CM merged with the Bureau of Telecommunications Regulation (DSRT), and was renamed the CTT⁶⁷; the CTT took over previous CM functions. Currently, the CTT has the exclusive right of accepting, transporting, and handling any mail/parcel of a weight less than 2 kg (exclusive services). Postal services other than the exclusive services⁶⁸ may be provided by private service providers under a licence issued by the CTT.⁶⁹ The authorities indicated to no request for a licence to provide postal services had been put forward as at early 2020.

4.80. Decree Ordinance No. 448/99/M sets forth the regulatory requirements for courier services provided by the CM (currently the CTT). In addition, Decree Ordinance No. 88/99/M specifies the regulations for private courier service providers.

⁶⁵ Of the 10 companies licensed to provide public Internet access services, 8 were also licensed to provide some kind of content service. CTT, *Internet Services*. Viewed at: <https://telecommunications.ctt.gov.mo/web/en/fieldinfo/isp>.

⁶⁶ The HHI indicates the degree of market concentration: a HHI close to 1 indicates monopoly, and a HHI close to 0 means full competition.

⁶⁷ Administrative Regulation No. 29/2016, 2 December 2016.

⁶⁸ Article 3 of Decree-Law No. 88/99/M defines exclusive services.

⁶⁹ Article 5, Decree-Law No. 88/99/M.

4.4.5 Transport

4.4.5.1 Air transport

4.81. During most of the period under review, the aviation industry experienced buoyant growth, attributed to the booming tourism sector that has attracted an increasing number of visitors to Macao, China (Table 4.10). In 2020, however, the aviation industry was severely affected by the restrictive travelling measures applied worldwide as a result of the COVID-19 pandemic.

Table 4.10 Selected statistics of aviation transport, 2012-19

		2012	2013	2014	2015	2016	2017	2018	2019
Passenger ('000)	PAX in	2,021.2	2,252.7	2,438.6	2,551.9	2,884.2	3,266.7	3,886.4	4,497.0
	PAX out	2,182.6	2,395.6	2,547.4	2,630.3	2,905.7	3,280.8	3,805.5	4,441.0
	Pax transfer	287.2	378.9	495.3	649.2	838.6	618.3	569.5	673.2
	Total	4,491.1	5,027.2	5,481.5	5,831.4	6,628.6	7,165.8	8,261.4	9,611.3
Cargo ('000 tonnes)	Exports	16.3	15.0	16.3	16.3	19.6	23.4	27.5	29.5
	Imports	6.4	6.4	6.7	7.4	6.4	6.6	7.1	7.2
	Transit	5.1	5.0	5.8	6.4	6.8	7.5	6.9	5.4
	Total	27.8	26.5	28.8	30.1	32.9	37.5	41.5	42.2
Aircraft movement		41,997	48,950	52,559	55,720	56,932	58,520	65,779	77,581
Business/private flight movements		1,210	1,598	2,206	1,851	2,024	2,184	2,190	2,694

Source: Information provided by the authorities.

4.82. The legal and institutional framework for air transport remained unchanged during the period under review. The main legislation on civil aviation includes Administrative Regulation No. 18/2008, which amended Administrative Regulation No. 10/2004 on the basic principles of civil aviation activities, and Executive Order No. 8/2011, which approved and issued the Air Navigation Regulation. The Civil Aviation Authority of Macau (AACM) is the sectoral regulator, and is responsible for implementing air transport policies, regulating all the relevant players in the sector, negotiating air services agreements (ASAs), issuing licenses, ensuring the technical safety of the civil aviation infrastructure, and carrying out inspections of all civil aviation activities in the region's airspace. The Macau International Airport Company Limited (CAM) provides air navigation services in Macao, China's airspace.

4.83. Macao, China pursues an "open-skies" policy. According to the authorities, it has opened up to the fifth freedom of aviation rights without reservations.⁷⁰ Therefore, there are no restrictions on, *inter alia*, designation, capacity, and ownership.⁷¹ Macao, China currently maintains 50 ASAs. The authorities further noted that all 50 ASAs contain the provisions of liberal incorporation and principal place of business, rather than adopting the ownership and control clause which the authorities believe is more stringent. During 2019, there were a total of 42 airlines serving 71 passenger destinations (35 in Mainland China, 1 in Hong Kong, China, 3 in Chinese Taipei, and 32 international), and 2 airlines serving 13 cargo international destinations.

4.84. In accordance with Article 3 of Administrative Regulation No. 10/2004, the activity of commercial air transport in Macao, China is provided under a concession contract. In 1995, the then Macao Government and Air Macau signed a concession contract entitled Concession Contract for Airline in Macau (Official Gazette No. 19, published on 10 May 1995). Clause 5 of the Concession Contract stipulates that its term is 25 years (1995-2020). The Government, as the concession grantor, exercised its power to make the decision to not extend the exclusive right beyond its 25-year term. However, due to the COVID-19 impact on the aviation industry, in June 2020 the Government decided to extend the current concession contract of Air Macau for three years to maintain its normal operations. As a result, Air Macau is still the only home-based carrier. Air Macau, the only home-based carrier⁷², is a joint venture between the Government (owning 21.5% of the shares) and other investors including the Air China (66.9%), *Sociedade de Turismo e Diversões de*

⁷⁰ With regard to cargo transportation, the 7th freedom was exchanged in the agreements with Iceland, Singapore, and the United States. See WTO document WT/TPR/M/181/Add.1, 19 June 2007.

⁷¹ Civil Aviation Authority of Macau (AACM), *Aviation Policy*. Viewed at: <https://www.aacm.gov.mo/about.php?cid=49&id=55&pageid=49&lg=enq>.

⁷² Air Macau was granted, through a concession for public air transport, the exclusive right to operate both passenger and cargo flights from and to Macao for 25 years from 1995. The concession is to expire in 2020.

Macao, SA (11.6%), and *Eva Air* (0.02%). There is no legal obligation that government-funded transportation of passengers or cargoes be carried by Air Macau. In 2018, the Government decided that Air Macau's exclusive right of being the sole home-based carrier will be discontinued when the current concession expires in 2020. However, due to the COVID-19 impact on the aviation industry, in June 2020, the Government decided to extend the current concession contract of Air Macau for three years to maintain its normal operation.

4.85. The authorities noted that the concession to Air Macau does not prevent non-local carriers flying from, to, and through Macao, China under the rights negotiated in relevant ASAs. Scheduled flight services are approved based on the provisions set out in the prevailing bilateral ASAs. For non-scheduled services (e.g. charter flights), the authorities follow the practice that the request is approved only when existing scheduled services serving the same route do not meet market demand. There is no legal obligation that government-funded transportation of passengers or cargoes be carried by Air Macau.

4.86. The Macau International Airport is the only airport in Macao, China. It is jointly owned by the Government (55%), *Sociedade de Turismo e Diversões de Macau, SA* (33%), and others (12%). Under a concession agreement, the Macau International Airport Company Limited (CAM)⁷³ has the exclusive right to build and operate the airport from 1989 through 2039. The authorities noted that there is no subsidy from the Government to the airport. The CAM may subcontract airport services to other companies through public tenders. As the last exclusive-right subcontract expired in 2013, a new bidding process began to introduce more competition to the sector; the new sub-concessionaires do not have any exclusive rights. Currently, the major sub-concessions at the airport include seven for airport shopping, including duty free; seven for airport restaurant services; two for VIP lounges; and six for services of ground handling, catering, security, fixed-based operator⁷⁴, and fuel.

4.87. Once an airport access application is approved by the AACM, airport slots are allocated on a first-come-first-served basis, with priority given to scheduled flights. Currently, slot management is administered by the CAM. The CAM also provides other services, including air traffic control, aeronautical information and communication services, airport and air navigation system maintenance, security and safety control, and the commercial and financial management of the airport.⁷⁵

4.88. Regarding aircraft repair and maintenance, the current sub-concessionary company is only certified to service one type of aircraft; hence, aircraft may be maintained and repaired by the airlines themselves or by extra-territorial stations certified by the AACM. All services, equipment, and facilities must be provided, maintained, and operated in full compliance with procedures and standards approved or specified by the AACM, in accordance with the Annexes to the Convention on International Civil Aviation.

4.89. Challenges for the aviation sector remain the same as specified in the previous report: capacity constraints, close proximity to its bigger rivals in the region, and increasingly tighter air space due to significant growth in air traffic over the Pearl River Delta area. Macao, China has a very small domestic market, is a relatively new player in this industry, and does not have an obvious competitive edge over its main competitors already well-established in the region. The airport passenger throughput reached 8.26 million in 2018, exceeding its design capacity, even though it was expanded once before.⁷⁶ The Government considers that further development of the aviation industry may only be achieved by making all efforts to complete the necessary airport expansion plan as soon as possible (see below) to resolve the urgent capacity constraint issue, and also by

⁷³ The Macau International Airport Company Limited is a company of which 55.4% is held by the SAR's Government, 33.03% by the STDM (*Sociedade do Turismo e Diversões de Macau*), and the remainder by a number of Mainland Chinese and local businesses and institutions.

⁷⁴ A fixed-based operator is a company granted the right by an airport to operate at the airport and provide aeronautical services, such as fuelling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, and similar services.

⁷⁵ Slot management was previously administered by the Administration of Airport (ADA), a sub-concession contractor. In 2018, the ADA was merged into the Macau International Airport Company Limited (CAM).

⁷⁶ The Macau International Airport was originally designed to handle 6 million passengers per year. After the passenger terminal expansion project was completed in 2018, the capacity was extended to 7.8 million. The capacity is expected to reach 15 million passengers per year after further expansion.

making its market environment more accommodative to all the aviation industry participants operating in Macao, China. This may include attracting more non-local airlines to operate from, to, and through Macao, China, making Macao International Airport an aviation gateway in the region while retaining sufficient flexibility for the future development of the locally incorporated Air Macau.

4.90. To deal with capacity constraint issues, the authorities developed the Macao International Airport Master Plan. The Plan has two phases of development; after completion of the first phase, it will be able to cater for 11 million airport passengers. After the full implementation of the Plan, the airport will reach an area of 323 ha, 49 commercial parking stands, two passenger terminal buildings, and a dedicated general aviation area, and will then be able to handle 15 million passengers.

4.4.5.2 Land transport

4.4.5.2.1 Road transport

4.91. The main legislation regarding road transport includes Decree-Law No. 50/88/M (Basic Transport Law), Law No. 3/2019 (Taxi Law) and Administrative Regulation No. 4/2004 (Cross-border Road Passenger Transport Regulation, amended by Administrative Regulation No. 32/2017). In accordance with Administrative Regulation No. 32/2017, cross-border passenger transport is divided into two categories: "scheduled service" and "non-scheduled service". Considering that using large-capacity means of transportation is more conducive to improving transportation efficiency and alleviating traffic pressure, the Regulation defines "scheduled service" as that provided by heavy passenger vehicles. To promote business activities and cater to the high-end market demand for light-vehicle point-to-point cross-border services, the Regulation defines "non-scheduled service" as that provided by light vehicles on a reservation basis.

4.92. The Transport Bureau (DSAT) remains the sectoral regulator, and is responsible for: studying, planning, promoting and implementing road transport policies; pursuing road improvements; regulating vehicles; and installing, maintaining and improving transportation and pedestrian infrastructure. The Consultation Council for Transport, created under Administrative Regulation No. 12/2011 and chaired by the DSAT, is responsible for land transport policy formulation.

4.93. The Macao General Policy of Land Transport 2010-20, prepared by an inter-departmental working group of the Government and launched in 2011, aims to develop a commuter- and traveler-friendly city, with green transportation. The four main aspects of the Policy include: optimizing public transport; sound private vehicle administration; creating a pedestrian-friendly environment; and strengthening infrastructure and safety education. The authorities indicated that progress has been made through integrated measures, and that the share of public transport in traffic flow increased from 33.6% in 2010 to 42.0% in 2019, while the annual growth rate of vehicles dropped from an average of 4.9% between 2011 and 2015 to -0.6% in 2018.

4.94. As set forth in the Basic Transport Law, the authorities must keep the road transport market freely competitive and maintain consumer freedom of choice as regards service suppliers. In accordance with the Law, the authorities must not provide operators with any fiscal assistance, including grants or reimbursement for investments on equipment or rolling stock.⁷⁷ Public transport operators for passengers or freight must be Macao, China persons (including legal persons) who have a local business address. For mass passenger transport, the operators must be a locally incorporated company, regardless of ownership. Regarding cross-border passenger transport, the operator must be a locally incorporated company, and apply to the DSAT for a licence before starting to operate. The operator must have registered capital of not less than MOP 5 million and provide the Government with a guarantee equivalent to 10% of its capital, to be released upon the commencement of business.⁷⁸ The licence is valid for three years; it is renewable, but not transferable. There is no specific regulation regarding ride-hailing services, but such services must be provided with properly licensed vehicles and in conformity with other legislation in force. Non-scheduled cross-border passenger transport service provided with light vehicles with

⁷⁷ The only exception to this prohibition is the grant of a compensatory allowance to the licensed operator for the commercial operation of non-profitable services. See Article 3, Decree-Law No. 50/88/M.

⁷⁸ Alternatively, it may be in the form of a bank guarantee or an insurance guarantee issued by a bank or insurance company that operates in Macao, China.

Macao, China being the starting or terminal point must be provided on a reservation basis; the picking-up or dropping-off of passengers halfway is not permitted.

4.95. Since August 2011, bus services are provided by two operators under concession: Transmac and TCM. Taxi services are provided by small private operators holding taxi licences, and by the Macao Radio Taxi Services Limited. As at December 2019, there were 1,900 valid taxi licences, including 300 (special taxi) owned by Macao Radio Taxi Services Limited. Passengers may hire special taxi services, which include accessible taxis for disabled passengers, by booking in advance.

4.96. The Hong Kong-Zhuhai-Macau Bridge was inaugurated in October 2018. As at November 2019, about 750 daily passenger services connected Hong Kong, China and Macao, China, carrying approximately 26,700 passengers per day on average.

4.97. Currently, the land freight transport market is relatively competitive. In 2018, 227 land transport operators were registered as establishments, and 689 operators under sole proprietorship (i.e. truck owners engaging in freight transport).⁷⁹

4.98. As a consequence of the COVID-19 pandemic, the land transport sector had a significant setback. Cross-border passenger and freight traffic was stopped for six months. In response to the crisis, the Government offered a one-year circulation tax exemption to motor vehicles that are licensed/registered for transport services (Table 3.8).

4.4.5.2.2 Rail transport

4.99. Developing a system of mass public transportation, including a metro, is a priority, as laid out in the Macao General Policy of Land Transport (2010-20). The Macao Light Rapid Transit (MLRT) Taipa Line became operational in December 2019.⁸⁰ The Government also initiated construction projects to extend the Taipa Line to Barra on the Macao Peninsula, and to build the Seac Pai Van Line.

4.100. Administrative Regulation No. 8/2019 established the Macao Light Rapid Transit Corporation Limited (MLM) as the entity in charge of the construction and maintenance of the infrastructure and equipment of the MLRT, and of its operation. In September 2019, the Government signed a 10-year concession contract with the MLM for the operation, development and maintenance of the MLRT. The Government owns the infrastructure. Restrictions on the management of the MLRT are provided in Law No. 18/2019 and relative supplementary regulations.

4.4.5.3 Maritime transport

4.101. The legal framework for maritime transport includes: Decree-Law No. 109/99/M (Regulation on Maritime Trade), Decree-Law No. 90/99/M (Law on Maritime Activities), Decree-Law No. 14/99/M (Regulation on Maritime Pilotage) and Administrative Regulation No. 34/2009 (Maritime Passenger Transport). The Marine and Water Bureau (DSSMA) remains the sectoral regulator, with responsibility for harbour management, ship registration, crew management, state control of the port, approval of maritime engineering projects, and wharf operations. Macao, China is an associate member of the International Maritime Organization (IMO); international treaties on maritime safety and the prevention of pollution are enforced in Macao, China.

4.102. All vessels engaged in economic activities must be registered with the DSSMA (to monitor ship safety), and with the Commercial and Movable Goods Registry (to register the legal status of ships). Through registration, the Macao SAR Government verifies the vessels' conformity with official requirements concerning technology, safety, and environmental protection. Where applicable, locally registered ships must comply with the regulations of international conventions. At end-2019,

⁷⁹ Land transport operators include both passenger and freight transport operators. DSEC (2018), *Transport, Storage and Communications Survey 2017*. Viewed at: <https://www.dsec.gov.mo/Statistic.aspx?NodeGuid=b16dc237-dff1-40e7-9572-826c28298660> <http://www.dsec.gov.mo/Statistic.aspx?lang=en-US&NodeGuid=b16dc237-dff1-40e7-9572-826c28298660>.

⁸⁰ The Taipa Line is the first line of the MLRT. Its construction commenced in 2011 and was officially inaugurated in 2019. The total length is 9.3 km, with 11 stations covering central Taipa, encompassing the main residential areas, Taipa village, key tourist attractions, and the three important points of entry to Macao, China by sea, land and air.

324 vessels were registered. Most of the vessels that call on local ports are river trade vessels flying either the national flag of Mainland China or the regional flag of Hong Kong, China. For vessels to fly the flag of Macao, China, the owner must be a local resident or legal person; the shipmaster and senior officer must be local residents, and one business address must be set up in Macao, China.

4.103. The Outer Harbour Ferry Terminal, the Taipa Ferry Terminal, and the Inner Harbour Ferry Terminal provide cross-border transportation services for passengers between the city and other destinations in the region. Currently, scheduled passenger ferries are operated by six carriers, four of which operate for the city pair of Macao, China and Hong Kong, China⁸¹; the other two provide services destined for cities in the Pearl River Delta (e.g. Zhuhai and Shenzhen) in the Guangdong Province of China. The authorities noted that all passenger ferry operators are commercial enterprises, with no public sector assistance. Competition among passenger ferry operators is regulated under Articles 156-172 of the Commercial Code.

4.104. The authorities noted that shipping tariffs for the transportation of goods are set by carriers, and are not subject to government regulation. Shipping tariffs for passenger transportation, however, must obtain approval from the regulator: carriers must submit their tariff tables at least 30 days (or 15 days for special fares or other special offers) prior to the implementation dates to the DSSMA for approval.⁸² Tariff tables may be adjusted annually, regarding changes in fuel price and inflation.

4.105. The DSSMA provides pilotage services for vessels entering and leaving Macao, China via the inner and outer channels, within berthing areas, and in all waters under the Government's jurisdiction. Pilotage services operate on a 24-hour basis; the pilot must be a local resident.

4.4.6 Tourism

4.106. The tourism industry (excluding the gaming business) accounted for about 5% of total GVA and 37% of total labour force in 2018. Macao, China is a net exporter of travel services, and its trade surplus increased from MOP 279 billion in 2012 to MOP 309 billion in 2019, with exports of MOP 321 billion and imports of MOP 11 billion.⁸³ Travel exports accounted for about 92% of total exports of services in 2019.

4.107. After a brief stagnation during 2015 and 2016, arrivals started to rise and, in 2019, Macao, China welcomed its highest ever number of total visitors, estimated at 39.4 million (up from 28.1 million in 2012) (Chart 4.1). Tourists from Mainland China; Hong Kong, China; and Chinese Taipei comprised over 90% of the total market, with those from other areas accounting for less than 10% of the total, during the review period. Mainland China continued to be the major source of visitors to Macao, China, accounting for about 70% of the total, followed by Hong Kong, China (18.7%) and Chinese Taipei (3%) in 2019. As noted in the previous Review, nearly half of visitors from Mainland China benefited from the Individual Visit Scheme (IVS).⁸⁴ After a decline in total visitor expenditure in 2015, an increase was observed as from 2016; this increase was of 6.8% per year in the 2016-19 period, mainly driven by more spending of overnight visitors.

4.108. Due the outbreak of COVID-19, the tourism industry was severely affected. According to DSEC statistics, visitor arrivals declined by 68.9% year-on-year to 3.2 million in the first quarter of 2020, while the total consumption of tourists (excluding the gaming industry) in the first quarter of 2020 was MOP 5 billion, with a 70.4% drop year-on-year.⁸⁵ The trend for the second quarter is similar, and no major recovery is expected for the rest of 2020. In response to the COVID-19 crisis, the authorities put in place a number of measures to assist the tourism industry. These include an exemption for six months, from 1 May 2020, of the tourism tax (see below) for establishments

⁸¹ These four carriers are: FEH Company Limited, Hong Kong Macao Hydrofoil Company Limited, STCT Ferry Services (Macao) Limited, and Cotai Ferry Company Limited.

⁸² Article 13, Administrative Regulation No. 34/2009.

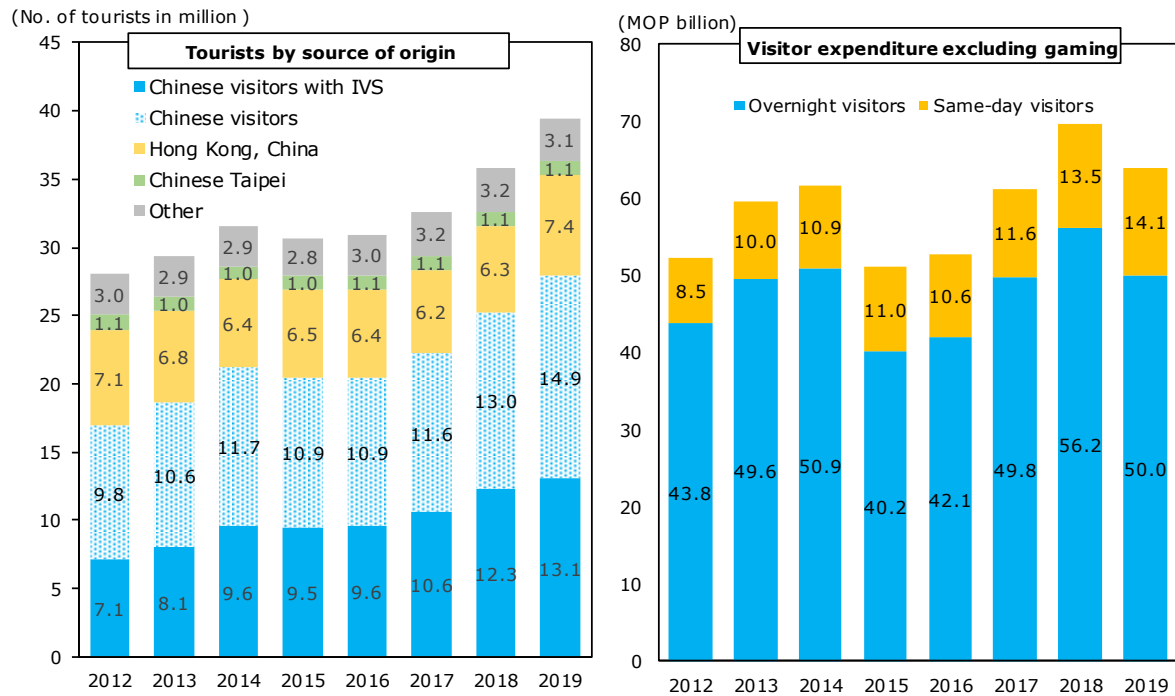
⁸³ Data are based on Balance of Payments (BPM6). No breakdown of travel is available; the figures include services related to gaming activities.

⁸⁴ WTO document WT/TPR/S/281/Rev.1, 27 June 2013, pg. 70. The IVS, started in July 2003, allows travellers from Mainland China to visit Macao, China on an individual basis, instead of on business visas or in group tours.

⁸⁵ WTO Secretariat calculations, based on DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/en-US/Statistic/Database>.

providing services, such as hotels, nightclubs, bars, gyms, saunas, massage parlours, and karaoke venues (Table 3.8), the waiver of fees, and profit tax relief (Box 1.1).

Chart 4.1 Tourism sector's performance, 2012-19



Source: WTO Secretariat calculations, based on DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

4.109. The number of hotels, guestrooms, and travel agencies increased steadily between 2013 and 2019 (Table 4.11). There were 123 operating establishments (84 star-rated hotels and 39 guest houses) in 2019, up from 100 establishments in 2012, providing a total of 38,282 rooms in 2019, up from 26,069 in 2012. A total of 221 travel agencies with valid licences in Macao, China operated in 2018, up from 197 in 2012, and 1,913 persons⁸⁶ held tourist guide licences issued by the Macao Government Tourism Office (MGTO), up from 1,643 in 2012.⁸⁷

Table 4.11 Overview of tourism sector, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Tourism GVA (MOP billion at current prices)^a	198.1	240.6	238.9	166.3	163.0	192.9	221.2	198.1
(% of total GVA)								
Tourism	57.6	58.6	55.0	46.7	45.8	48.5	50.6	..
Gaming	52.9	53.9	50.7	42.2	41.4	43.8	45.5	..
Non-gaming	4.7	4.7	4.3	4.5	4.5	4.6	5.0	..
Retail trade	2.2	2.2	1.8	1.8	1.6	1.8	2.1	..
Hotels and similar establishments	1.0	1.0	1.1	1.1	1.1	1.2	1.4	..
Restaurants and similar establishments	0.9	0.9	0.8	0.9	0.9	0.9	0.9	..
Passenger transport activities	0.4	0.4	0.4	0.5	0.6	0.5	0.5	..
Travel agencies	0.2	0.2	0.2	0.2	0.2	0.2	0.2	..
Trade in services: Travel (MOP billion)^b								
Net exports	279.1	335.6	331.7	237.6	234.0	278.0	317.4	308.6
Exports	287.7	344.6	341.4	247.4	243.8	288.3	328.6	320.5
Imports	8.7	9.0	9.7	9.8	9.8	10.3	11.2	11.9

⁸⁶ Macao SAR Government, *Macao Yearbook 2019, Tourism*. pp. 281. Viewed at: http://yearbook.gcs.gov.mo/uploads/yearbook_pdf/2019/myb2019ePA01CH12.pdf.

⁸⁷ Information provided by the authorities.

	2012	2013	2014	2015	2016	2017	2018	2019
Hotels and guest houses								
Operating establishments	100	98	98	106	107	111	116	123
Hotels	67	65	66	74	75	78	82	84
5-star	28	27	27	32	32	33	35	36
4-star	14	14	14	17	17	17	17	17
3-star	12	12	13	13	15	16	16	16
2-star	13	12	12	12	11	12	14	15
Guest houses	33	33	32	32	32	33	34	39
Guest rooms (no.)	26,069	27,764	27,904	32,300	36,278	36,682	38,809	38,282
Hotel rooms	25,436	27,128	27,286	31,669	35,649	36,037	38,078	38,282
Guest house rooms	633	636	618	631	629	645	731	989
Travel agencies								
Establishments	197	211	237	250	209	210	221	..
Persons employed	3,670	3,896	4,202	4,485	4,250	4,497	4,530	..

.. Not available. For tourism's GVA, the latest tourism satellite account is available up to 2018.

a Based on tourism satellite account.

b Based on balance of payments.

Source: Information compiled by the WTO Secretariat from DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>; and *Tourism Statistics*. Viewed at: <https://www.dsec.gov.mo/en-US/Statistic?id=401>.

4.110. The MGTO, under the Secretary for Social Affairs and Culture, is responsible for assisting in formulating tourism policies, and for implementing and analyzing them.⁸⁸ The MGTO plays an important role in carrying out, *inter alia*, the formulation and implementation of local tourism planning, tourism promotion, product and event development, tourism industry management, and training and quality control.

4.111. Several laws and regulations contain the administrative rules with respect to, *inter alia*, licensing and inspection in the tourism industry, covering hotels and restaurants, travel agencies, and tour guides. The licensing and inspection of hotels and similar establishments in Macao, China are regulated by Decree-Law No. 16/96/M of 1 April 1996, and by Order No. 83/96/M of 1 April 1996.⁸⁹ Similar provisions with respect to travel agency and tour guide operations are contained in Decree-Law No. 48/98/M⁹⁰ of 3 November 1998, as amended by Administrative Regulation No. 42/2004. The MGTO ensures that the industry's operations comply with the legal and regulatory framework, by licensing and inspecting the establishments and their related activities. Fees for licences vary from one category to another (Table 4.12). In 2019, the MGTO conducted 1,967 inspections of tourist establishments and 1,550 inspections of ports of entry and tourist attractions. Meanwhile, in order to combat the provision of illegal accommodation, the MGTO conducted 616 joint inspections with an inter-departmental task force, performed 1,984 apartment inspections and, as a result, sealed 382 apartments.⁹¹

4.112. The authorities noted that the legislation governing the tourism sector is currently under revision.⁹² They consider that, as the tourism and hotel and catering industries have developed rapidly over the past decade, the existing legislation is no longer comprehensive enough to deal with the increasing present-day changes. They thus consider it essential to revise current regulations to meet the industry's diversification and sustainable development needs. As at mid-2020, the law regulating the hotel industry was being reviewed by the Legislative Assembly, and amendments were being made. A new law regulating travel agencies and tour guides was submitted to the Executive Council.

⁸⁸ MGTO, *Main Responsibilities of Macao Government Tourism Office*. Viewed at: <https://www.macaotourism.gov.mo/en/about-us>.

⁸⁹ MGTO, Macao Tourism Industry Net, *Hotels, Restaurants, Nightclubs & Bars*. Viewed at: https://industry.macaotourism.gov.mo/en/license/content.php?page_id=24&id=79; Decree-Law No. 16/96/M. Viewed at: <https://bo.io.gov.mo/bo/i/96/14/declei16.asp>; and Regulation No. 83/96/M. Viewed at: <https://bo.io.gov.mo/bo/i/96/14/port83.asp>.

⁹⁰ MGTO, Macao Tourism Industry Net, *Travel Agency*. Viewed at: https://industry.macaotourism.gov.mo/en/license/content.php?page_id=22; and Decree-Law No. 48/98/M. Viewed at: <https://images.io.gov.mo/bo/i/2004/52/reg4-42-2004.pdf>.

⁹¹ *Annual Press Conference of Macao Government Tourism Office*. Viewed at: https://industry.macaotourism.gov.mo/file/pdf/AnnualPressCon_PPT_for_Press_2020.pdf.

⁹² MGTO information provided by the authorities.

Table 4.12 Fees charge for licences, 2020

Category	Annual fees (MOP)
Five-star deluxe hotels	25,000
Five-star hotels and tourism complexes	22,500
Four-star hotels, tourism complexes and apartment hotels	20,000
Three-star hotels and apartment hotels	17,500
Two-star hotels	15,000
Three-star guest houses	12,500
Two-star guest houses	10,000
Deluxe and similar establishments ^a	12,500
First- and second-class and similar establishments ^a	7,500
Sauna and massage parlours	One year: 12,000; half-year: 7,500
Saunas for steam bath only	One year: 5,000; half-year: 3,000
Massage parlours for massage service only	One year: 9,000; half-year: 5,000
Health clubs	One year: 5,000; half-year: 3,000
Karaoke lounges (each hall or each room)	One year: 1,000; half-year: 750
Travel agencies	25,000
Tour guides/transfer services /tour guide trainees	Three years: 100

a Similar establishments include restaurants, nightclubs and bars.

Source: Information provided by the authorities.

4.113. Tourism tax, at the rate of 5%, is levied on all services rendered within the scope of hotels and similar establishments, such as health clubs.⁹³ In 2019, the revenue from this tax amounted to MOP 988.4 million (up from MOP 802.0 million in 2014), which accounted for 0.7% of total fiscal revenue (0.5% in 2014).⁹⁴ Exemptions from the payment of the tourism tax are allowed in certain cases, such as for luxury, class 1 and class 2 restaurants.⁹⁵ As mentioned above, as part of the economic stimulus package with respect to COVID-19, Macao, China introduced a waiver of the tourism tax for a period of six months, starting 1 May 2020, on establishments providing services such as hotels⁹⁶ (Section 3.3.11). Apart from the measures to waive the tourism tax, the Government introduced exemption benefits to the tourism industry's establishments and activities licensed by the MGTO, including the waiver of licence fees and facility inspection fees, and the waiver or refund of the stamp duty on licences in 2020.⁹⁷

4.114. The Macao SAR's Government continues to implement a strategy vying to turn Macao, China into the "World Centre of Tourism and Leisure"; this is currently the industry's main overall goal.⁹⁸ Macao, China manages its tourism industry in accordance with the Macao Tourism Industry Development Master Plan, which was announced in September 2017 after two years of studies and formulation work carried out by the MGTO following the guidelines of the Five-Year Development Plan (2016-20).⁹⁹ The Master Plan aims to build and manage a tourism-based economy, and provides an outline and relevant guidelines for future actions for the

⁹³ Law No. 19/96/M, Approval of Tourism Tax Regulation, 19 August 1996. Viewed at: http://www.dsf.gov.mo/download/legislation/e/e_TurismTax_Final.pdf.

⁹⁴ Information provided by the authorities; and WTO Secretariat's calculations, based on data from the DSF, *Central Account (evolution for the last five years)*. Viewed at: <http://www.dsf.gov.mo/financialReport/?FormType=1&lang=en-US>.

⁹⁵ DSF, *2020 Tax Relief Measures*. Viewed at: http://www.dsf.gov.mo/tax/tax_benefit.aspx?lang=pt&y=.

⁹⁶ Macao SAR Government Portal, *Government announces five-pronged approach to help residents, business ride out current adversity*. Viewed at: <https://www.gov.mo/en/news/122812/>.

⁹⁷ Law No. 3/2020, amendment of the Budget for the 2020 Fiscal Year. Viewed at: https://bo.io.gov.mo/bo/i/2020/15/lei03_cn.asp; and Administrative Regulation No. 15/2020 Temporary Preferential Measures to Reduce the Negative Impact of the New Coronavirus Pneumonia on Various Industries. Viewed at: https://bo.io.gov.mo/bo/i/2020/19/regadm15_cn.asp. A graphic and text explanation of the temporary economic measures in response to COVID-19 may be viewed at: <https://www.gov.mo/zh-hant/news/318141/> and <https://www.gov.mo/pt/noticias/221889/>.

⁹⁸ The goal of the "World Centre of Tourism and Leisure" is to facilitate economic diversification and improve the wellbeing of Macao, China's people. This goal was incorporated into the 12th and the 13th National Five-Year Plans. Macao, China set up a Committee for the Development of the World Centre for Tourism and Leisure, which is chaired by the Chief Executive. The Committee is responsible for designing and conducting policies to develop Macao, China into a World Centre of Tourism and Leisure.

⁹⁹ MGTO, *Final version of the Macao Tourism Industry Development Master Plan, Summary Report*, September 2017. Viewed at: <https://masterplan.macaotourism.gov.mo/home-en/index.html>; and the *Five-Year Development Plan of the Macao Special Administrative Region (2016-2020)*, September 2016. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

15-year period from 2015 to 2030. The Master Plan comprises 8 key objectives, 33 strategies, and 91 action plans (Table 4.13). The 91 action plans consist of 69 short-term action plans (up to 5 years), 19 medium-term action plans (6-10 years), and 3 long-term action plans (over 10 years). As part of the evaluation mechanism of the Master Plan, an annual and mid-term review are to be conducted, to ensure its implementation and execution progress.¹⁰⁰

Table 4.13 Tourism Industry Development Master Plan, 2015-30

Key objectives	Strategies
1. Diversify tourism products and experiences	1. Introduce new tourism elements 2. Develop iconic tourism products 3. Enrich visitors' experience 4. Expand tourism-related offerings
2. Improve service quality and skills	1. Enhance the development of skills in the tourism industry 2. Establish an integrated tourism quality assurance system 3. Enhance the service standards of the tourism industry
3. Rebrand Macao, China as a multi-day destination, and expand high-value markets	1. Attract high-value market segments 2. Enhance the Macao, China's multi-day destination brand image 3. Support and promote MICE (meetings, incentives, conventions and events) development 4. Conduct online tourism marketing
4. Optimize the urban development model	1. Introduce new tourism areas 2. Upgrade ground transport 3. Monitor and manage the quality of the environment 4. Improve access to Macao, China
5. Manage the tourism carrying capacity	1. Monitor the tourism carrying capacity 2. Redistribute peak travel demand 3. Relieve the problem of tourist attraction crowding 4. Address the issues of transportation carrying capacity 5. Enhance and expand human resources 6. Reduce the environmental impact caused by tourism
6. Utilize innovative technology	1. Use technology to drive a destination-marketing approach 2. Consolidate tourism information to expand tourism capability 3. Facilitate smart technology applications 4. Use technology to increase the safety and security levels of the city
7. Enhance tourism industry cooperation	1. Formulate viable and up-to-date tourism laws and regulations 2. Review the licensing mechanisms 3. Effective cross-department, coordination and management 4. Strengthen collaboration between the public and private sectors
8. Enhance Macao China's position as a Core Tourism City in the regional and international tourism community	1. Achieve active government cooperation 2. Provide better transport connectivity for visitors 3. Provide cross-boundary tourism products and events 4. Enhance and strengthen Macao, China's image as a tourist destination

Source: MGTO, *Final version of the Macao Tourism Industry Development Master Plan, Summary Report, September 2017*. Viewed at: <https://masterplan.macaotourism.gov.mo/home-en/index.html>.

4.115. During the review period, Macao, China took several initiatives to further improve the tourism industry. In 2014, the MGTO launched the Quality Tourism Services Accreditation Scheme, to define service quality standards for the tourism industry, and to encourage and support the industry, so as to enhance service culture and recognize tourism merchants and practitioners who provide outstanding service and implement excellent service management. The Scheme was first applied to the food and beverage sector, specifically to licensed restaurants. In 2016, it was extended to the travel agency industry. In 2019, the MGTO collaborated with the Macao SAR Government Consumer Council to extend the Scheme to the retail industry. All merchants that fall into designated retail categories and who participate in the Certified Shop scheme of the Consumer Council are automatically enrolled in the Scheme.¹⁰¹ As at late-2019, a total of 281 catering businesses and 40 travel agencies held the Star Merchant Award.¹⁰² The MGTO continues to organize training programmes, workshops and seminars for tourism and related activities, in order to foster improvement in the overall tourism quality of the trade. In 2019, the MGTO organized a total of

¹⁰⁰ MGTO, *Final version of the Macao Tourism Industry Development Master Plan, Summary Report, September 2017*. Viewed at: <https://masterplan.macaotourism.gov.mo/home-en/index.html>.

¹⁰¹ MGTO, *Retail Sector*. Viewed at: https://industry.macaotourism.gov.mo/en/page/content.php?page_id=251.

¹⁰² Information provided by the authorities.

38 training sessions, four seminars and three workshops, under different themes, for travel agencies, tour guides and professionals of the hotel, retail and catering industries, engaging 2,191 participants.¹⁰³

4.116. The Smart Tourism Project was set up by the MGTO in March 2019.¹⁰⁴ The Project aims to bring greater convenience for visitors, industry operators and residents and to enhance the quality of travel experiences in Macao, China. To date, it has developed a tourism information interchange platform, an application for visitor insights, and a smart application for visitor flows.¹⁰⁵ The MGTO aims to develop a large tourism database, to improve tourism management; this will be used for future research on tourism promotion strategies, and to monitor visitor flows. In this regard, the tourism information interchange platform plays a role in compiling different types of tourism-related data resources, to provide support for the planning and development of the tourism industry. The MGTO also made an effort to increase transparency, and, in this respect, tourism statistics were developed and are available online at the MGTO website¹⁰⁶, and the DSEC Visitor Statistics Database.¹⁰⁷

4.117. Within the context of the GATS, Macao, China made commitments on two subsectors in tourism, namely 9.A Hotels and restaurants (excluding catering) and 9.B Travel agencies and tour operators (based on the MTN/GNS/W120 nomenclature) (Table 4.14).¹⁰⁸ For hotels and restaurants, there are full ("none") market access commitments for modes 2 and 3, and full national treatment commitments for mode 3. For travel agencies and tour operator services, there are full market access commitments for mode 2, and full national treatment commitments for mode 3. There is a restriction in mode 3 for market access for travel agencies and tour operators; it states that "branches and subsidiaries are not allowed". However, current regulations allow a foreign travel agency to apply for a travel agency licence if an applicant establishes a company that resides in Macao, China.¹⁰⁹

Table 4.14 Tourism and travel-related services (GATS commitments)

	Limitations on market access	Limitations on national treatment
Hotels and restaurants (excluding catering)	1) Unbound 2) None 3) None 4) Unbound	1) Unbound 2) Unbound 3) None 4) Unbound
Travel agencies and tour operator services	1) Unbound 2) None 3) Branches and subsidiaries are not allowed 4) Unbound	1) Unbound 2) Unbound 3) None 4) Unbound

Note: Modes of supply: (1) cross-border supply; (2) consumption abroad; (3) commercial presence; and (4) presence of natural persons.

Source: WTO documents S/DOC/W/MAC, 24 January 2003; and S/DCS/W/MAC/Rev.1, 11 April 2003.

4.118. Under the CEPA with Mainland China, there are no specific commitments by Macao, China with respect to tourism and travel-related services.¹¹⁰ However, according to Article 3 of the Agreement on Trade in Services, Macao, China "will not impose any new discriminatory measures on the Mainland's services and service suppliers in the areas of services covered in this Agreement".¹¹¹

¹⁰³ Information provided by the authorities.

¹⁰⁴ MGTO, *Three projects come into service to push forward smart tourism*. Viewed at: https://industry.macaotourism.gov.mo/en/pressroom/index.php?page_id=172&id=3112#.XdEWYsveE2w.

¹⁰⁵ Macao Yearbook 2019, *Tourism*, pg. 282. Viewed at: http://yearbook.qcs.gov.mo/uploads/yearbook_pdf/2019/myb2019ePA01CH12.pdf.

¹⁰⁶ MGTO, *Macao Tourism Data plus*. Viewed at: <https://dataplus.macaotourism.gov.mo/?lang=E>.

¹⁰⁷ DSEC, *Visitor Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TourismDBWeb/#/main?lang=en>.

¹⁰⁸ WTO documents S/DOC/W/MAC, 24 January 2003; and S/DCS/W/MAC/Rev.1, 11 April 2003.

¹⁰⁹ In accordance with Article 15 a) of Decree-Law No. 48/98/M of 3 November 1998, as amended by Administrative Regulation No. 42/2004, in applying for a travel agency licence, the applicant must establish a company in Macao, China.

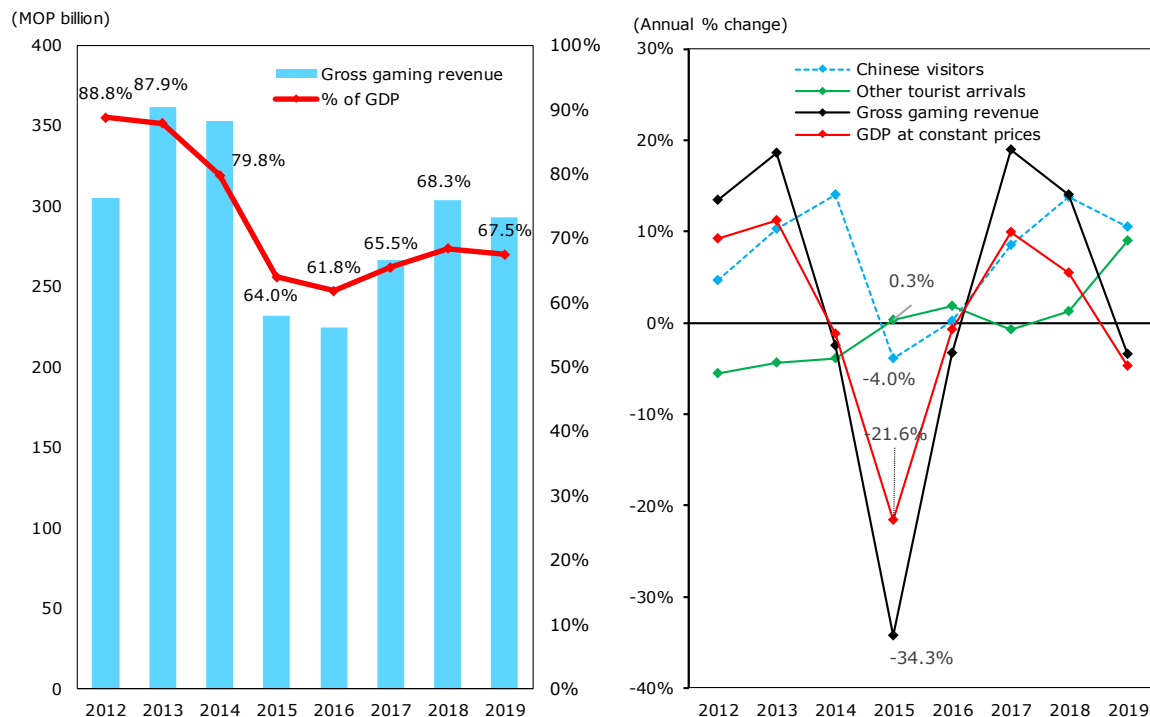
¹¹⁰ DSE, *Agreement on Trade in Services*. Viewed at: https://www.economia.gov.mo/public/docs/CEPA_CEPA_ACS/content/en/attach2.pdf.

¹¹¹ DSE, *Agreement on Trade in Services, Article 3*. Viewed at: https://www.economia.gov.mo/public/docs/CEPA_CEPA_ACS/content/en/main_text.pdf.

4.4.7 Gaming

4.119. The gaming sector remains the major driving force for the tourism industry and for the overall economy; it accounted for about 50.5% of total GVA in 2018. Gross gaming revenue reached a high record, representing 87.9% of GDP, in 2013 and, although its share of GDP declined afterwards (gaming revenue fell by 2.5% in 2014, and further by 34.3% in 2015), it still accounted for over 65.0% of GDP in 2019. This downward trend was mainly driven by several causes, *inter alia*, the global economic slowdown¹¹², and the devaluation of the Chinese renminbi (against the US dollar).¹¹³ The contraction of the gaming sector resulted in a fall in GDP during the 2014-16 period (Chart 4.2). However, and despite the adverse economic circumstances, the gaming industry as a whole rebounded strongly in 2017, back to the level of 2012, although it contracted again in 2019.

Chart 4.2 Gaming sector performance, 2012-19



Source: WTO Secretariat calculations, based on DSEC, *Statistics Database*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

4.120. Gaming is a legal activity in Macao, China. As noted in the previous Review¹¹⁴, the sector is regulated, with licences granted to three concessionaires and three sub-concessionaires, each of which has the right to operate a land-based casino gaming business as an independent legal person. The three concessionaires and three sub-concessionaires ran a total of 41¹¹⁵ casinos in 2018 (Chart 4.3). During the review period, applications submitted by the *Sociedade de Jogos de Macau* (SJM) and the MGM Grand Paradise (MGM) for the extension of their terms were approved, and their concessions and sub-concession, respectively, were extended until 26 June 2022.¹¹⁶ There is also a concession each for horse racing (*Companhia de Corridas de Cavalos de Macau, SA*), and

¹¹² Wang, J. and Liang, M. (2018), *Characteristics of visitor expenditure in Macao and their impact on its economic growth*, SAGE Journals Volume: 24 issue: 2, pp. 218-233. 1 March 2018.

¹¹³ Macao China's gaming activities are mostly denominated in Hong Kong dollars, currency which is pegged to the US dollar. At its turn, the Macao pataca is pegged to the Hong Kong dollar (HKD 1 = MOP 1.03) and subject to fluctuations in the renminbi/US dollar exchange rate.

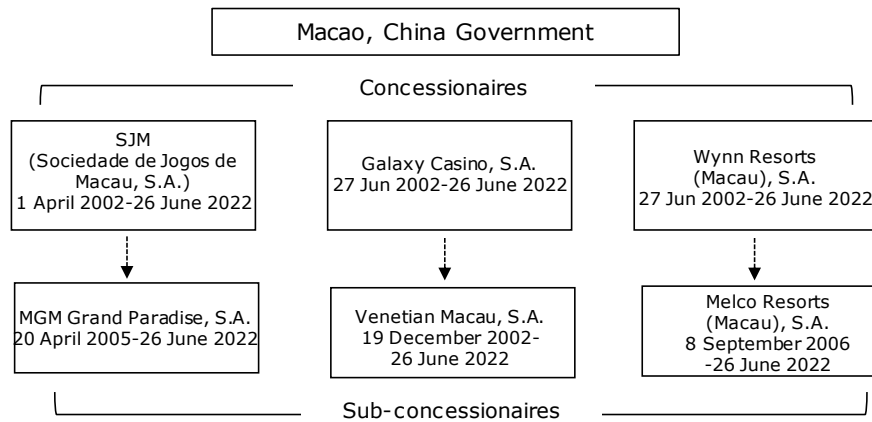
¹¹⁴ WTO document WT/TPR/S/281/Rev.1, pg. 72, 27 June 2013.

¹¹⁵ Including three casinos with currently suspended activities. Information provided by the authorities.

¹¹⁶ DICJ, *Concessões Contratuais, Sociedade de Jogos de Macau, S. A. Chief Executive No. 37/2019*. Viewed at: http://www.dicj.gov.mo/web/pt/contract/SJM/2019_BO011.html; and DICJ, *MGM Grand Paradise, SA Sub-Concession Agreement*. Viewed at: <http://www.dicj.gov.mo/web/pt/contract/MGM/index.html>.

two concessions for lotteries (*Sociedade de Lotarias e Apostas Mútuas de Macau, Ltd.*, and *Sociedade de Lotarias Wing Hing, Ltd.*).¹¹⁷

Chart 4.3 Concessionnaires and sub-concessionnaires



Source: Gaming Inspection and Coordination Bureau.

4.121. As per Administrative Regulation No. 34/2003, the Gaming Inspection and Coordination Bureau (*Direcção de Inspeção e Coordenação de Jogos* (DICJ)) is the gaming regulator, and provides guidance and assistance to the Chief Executive on the formulation and implementation of economic policies for the operation of casino games of fortune, other ways of gaming, pari-mutuels¹¹⁸, and other gaming activities offered to the public.¹¹⁹ The DICJ's main duties include: supervising and monitoring the gaming concessionnaires' and sub-concessionnaires' activities (casinos, horse-racing, pari-mutuels, and lotteries) to ensure compliance with their legal, regulatory and contractual obligations; supervising and monitoring the suitability and financial capacity of the gaming companies, relevant shareholders, corporate members and key employees; classifying properties as casinos; inspecting the assessments of gross gaming revenues; issuing licences for gaming promoters; authorizing gaming equipment manufacturers, and gaming machines, systems and other gaming equipment; authorizing any changes in gaming operations (after the DICJ examines a proposed plan provided by a concessionaire); enforcing and supervising preventive measures on money laundering and terrorist financing in the gaming sector; and preventing, eliminating and punishing illegal gambling regarding administrative violations.¹²⁰

4.122. The Government promulgated a number of laws and regulations to regulate gaming and related activities, including gaming promoters and gaming-related loan activities (Table 4.15). The key legislation on gaming is Law No. 16/2001 on the Legal Framework for the Operations of Casino Games of Fortune.¹²¹ It contains provisions regarding, *inter alia*, operational requirements, eligibility of major shareholders, management of the casinos, and the gaming tax to be levied. The sector is also regulated by a number of other laws, regulations, and chief executive orders (Table 4.15). According to the authorities, Law No. 16/2001 and other relevant gaming regulations are currently being reviewed, in preparation for the gaming concessions that will expire by 2022. During the review period, Macao, China made a change to the regulatory regime of gaming services: it discontinued greyhound activities in 2018. Gaming activities that remain available in Macao, China are casino games of fortune, horse-racing, and lotteries.¹²²

¹¹⁷ DICJ, *Concession Contracts*. Viewed at: <http://www.dicj.gov.mo/web/en/contract/index.html>.

¹¹⁸ "Pari mutuel", or mutual betting, is a betting system in which all bets of a particular type are placed together in a pool; payoff odds are calculated by sharing the pool among all winning bets.

¹¹⁹ DICJ, *Role and responsibilities*. Viewed at: <http://www.dicj.gov.mo/web/en/frontpage/index.html>; and Macao Yearbook 2016, *The Gaming Industry*. Viewed at: <https://yearbook.gcs.gov.mo/en/books?term=2016>.

¹²⁰ Gaming Inspection and Coordination Bureau (DICJ), *Role and responsibilities*. Viewed at: <http://www.dicj.gov.mo/web/en/frontpage/index.html>; and Macao Yearbook 2016, *The Gaming Industry*. Viewed at: http://yearbook.gcs.gov.mo/uploads/yearbook_pdf/2016/myb2016ePA01CH14.pdf.

¹²¹ DICJ, *Law No. 16/2001 Regime jurídico da exploração de jogos de fortuna ou azar em casino*. Viewed at: http://www.dicj.gov.mo/web/pt/legislation/FortunaAzar/lei_01_016.html.

¹²² Information provided by the authorities.

Table 4.15 Main gaming casino laws and regulations

No.	Main content
Law No. 16/2001	Sets out the legal framework for the commercial operation of different gambling products, with a focus on the operations of casino games of fortune.
Administrative Regulation No. 26/2001 (amended by Administrative Regulations No. 34/2001 and No. 4/2002)	Gaming tender regulation; sets out the rules applicable to the public tender procedure.
Administrative Regulation No. 6/2002 (amended by Administrative Regulation No. 27/2009)	Gaming promoters' regulation, governs the licensing and activities of gaming promoters.
Administrative Regulation No. 34/2003	Establishes the DICJ as the gaming regulator (defines its role and responsibilities).
Law No. 5/2004	Regulates the granting of gaming credit by casino operators and gaming promoters.
Law No. 10/2012 (amended by Law No. 17/2018) ^a	Regulates the conditions of entry, working and gaming in casinos. The revised law (effective since December 2018) stipulates that gaming employees are not allowed to enter casinos when off-duty.
Administrative Regulation No. 26/2012	Sets the requirements for supplying electronic gaming machines and other electronic gaming systems, and their respective standards.
Law No. 3/2017 (Revision of Laws No. 2/2006 and No. 3/2006) ^a	Prevention and suppression of the crime of money laundering (No. 2/2006); and prevention and suppression of the crime of terrorist financing (No. 3/2006).
DICJ Instruction No. 1/2019 ^a	Internal control policies and procedures on preventive measures for anti-money laundering and combating financing of terrorism in order to prevent criminals from using casinos in Macao, China to conduct illegal activities.
Chief Executive Decision No. 37/2019	Extending the term of the Concession Agreement for the SJM.

^a Introduced during the review period.

Source: Compiled by the WTO Secretariat, based on the DICJ, *Legislation*. Viewed at: <http://www.dicj.gov.mo/web/en/legislation/index.html>.

4.123. Article 21 of the Gaming Law (No. 16/2001) contains competition-related provisions.¹²³ As noted in the previous Review¹²⁴, the Article stipulates that the Government shall treat all gaming concessionaires and sub-concessionaires in a non-discriminatory manner, and shall ensure that they comply with the rules of competition. Concessionaires must carry out their business activities in fair and healthy competition, with respect to the principles of a market economy. Any arranged agreements and practices are prohibited, in order to avoid anti-competitive behaviour. Also, any improper operation by one or more concessionaires of a dominant position in the market or a substantial market share in the gaming industry that may impede, restrict or distort competition between the concessionaires is prohibited.

4.124. Pursuant to Law No. 16/2001 and their Concession Contracts for Casino Operation, casino operators are obliged to pay a gaming tax, make contributions to the Government, and make local investments (Table 4.16). The gaming tax is levied on their gross gaming revenue at a rate of 35%, with an additional annual contribution of 1.6% to the Macao Foundation (for cultural academic and philanthropic activities)¹²⁵, and an annual contribution of not more than 3% (currently 1.4% (SJM))

¹²³ DICJ, Law No. 16/2001. Viewed at: http://www.dicj.gov.mo/web/pt/legislation/FortunaAzar/lei_01_016.html.

¹²⁴ WTO document, WT/TPR/S/281/Rev.1, 27 June 2013.

¹²⁵ The Macao Foundation was established pursuant to Law No. 7/2001, and Administrative Regulations No. 12/2001, No. 4/2006, and No. 17/2011, through a merger that took place in 2001 between the former Macau Foundation, established in 1984, and the Macao Foundation for Cooperation and Development, established in 1998. The Macao Foundation is a legal person of public law that aims to promote, develop and study cultural, social, economic, educational, scientific, academic and philanthropic activities, including activities aimed at promoting Macao, China. The Foundation's activity is predominantly developed in Macao, China, and may exchange and cooperate with institutions or entities whose activities are compatible with its purposes, and support them financially, if necessary. The Foundation is financed with 1.6% of the proceeds from the gross revenues from games of chance in the territory of Macao, China, and from appropriations allocated by the MSAR Government, donations from the Government or from abroad, and other revenues. *Fundação Macau, Sobre a Fundação Macau*. Viewed (in Portuguese) at: <https://www.fmac.org.mo/summary/summaryIndex?lgType=po>.

and 2.4% (others)) of gross revenue for urban development, tourism promotion, and social security. Revenue from gaming accounted for 84.4% of the Government's total revenue in 2019.¹²⁶

Table 4.16 Fiscal and financial contributions by casino operators

Type	Details
Gaming tax	Special gaming tax: 35% of gross gaming revenue (paid monthly) Premium (fixed): MOP 30 million per year Premium (variable): MOP 300,000 per table per year for VIP tables MOP 150,000 per table per year for regular tables MOP 1,000 per slot machine per year
Contributions	Monthly payment: - 1.6% of gross revenue to the Macao Foundation, which promotes cultural, scientific, social, economic and educational development; and - 1.4% (SJM) or 2.4% (others) of gross revenue for urban development, tourism promotion, and social security
Local investment requirement	SJM: MOP 4.7 billion, contract signed in March 2002, fulfilled MGM: MOP 4.0 billion, contract signed in April 2005, fulfilled Galaxy: MOP 4.4 billion, contract signed in June 2002, fulfilled Venetian: MOP 4.4 billion, contract signed in December 2002, fulfilled Wynn: MOP 4.0 billion, contract signed in June 2002, fulfilled Melco: MOP 4.0 billion, contract signed in September 2006, fulfilled

Source: Information provided by the authorities.

4.125. Although casino concessionaires are legally subject to profit tax, they may temporarily or exceptionally be (wholly or partially) exempted from paying it, under the provisions of Article 28 (2) of the Gaming Law. For instance, the SJM was exempted from paying income tax during the 2017-20 period in respect of profits generated by the operation of games of chance or other casino games (Table 4.17).

4.126. Gaming operators are not entitled to receive subsidies.¹²⁷

Table 4.17 Temporary exemptions from payment of profit tax

Concessionaires and sub-concessionaires	Duration	Chief Executive Decision No.
Melco Resorts (Macao), SA	1 January 2017-2021 (5 years)	No. 330/2016
Sociedade de Jogos de Macau (SJM), SA	1 April 2020-26 June 2022	No. 89/2020
MGM Grand Paradise, SA	1 April 2020-26 June 2022	No. 88/2020
Wynn Resorts (Macao), SA	1 January 2021-26 June 2022	No. 101/2020
Galaxy Casino, SA	1 January 2019-26 June 2022	No. 193/2018
Venetian Macau, SA	1 January 2019-26 June 2022	No. 194/2018

Source: Compiled by WTO Secretariat, based on DICJ, *Legislação, Jogos de Fortuna ou Azar*. Viewed at: <http://www.dici.gov.mo/web/pt/legislation/FortunaAzar/index.html>.

4.4.8 Other services

4.127. During the review period, the Macao, China Government continued to emphasize the development of non-gaming sectors such as the MICE (Meetings, Incentives, Conventions and Exhibitions), cultural and creative industries, and traditional Chinese medicine, to counter the economy's heavy reliance on the gaming sector, which makes it more vulnerable, and subject to external fluctuations.

4.4.8.1 MICE (Meetings, Incentives, Conventions and Exhibitions)

4.128. Since 2002, the Macao SAR Government has highlighted in its policy address the importance of the development of meetings, incentives, conventions and exhibitions (MICE) activities, which are defined as the part of the tourism industry dealing with business events and activities.¹²⁸ The

¹²⁶ Information provided by the authorities.

¹²⁷ Macao SAR Government Portal, *10-billion-pataca fund aiming to bolster support for employees and businesses*. Viewed at: <https://www.gov.mo/en/news/124630/>.

¹²⁸ IPIM, *Study on the Development Blueprint of Macao's Convention and Exhibition Industry – Abstract*, 15 December 2017. Viewed at: <http://archive.ipim.gov.mo/wp-content/uploads/2017/12/MICE-Extract-EN.pdf>. The Government appointed the Macao Research Centre Ltd to conduct the study on MICE from 2016

authorities consider that MICE activities, by bringing a number of business travellers, benefit a variety of sectors (e.g. hotels and restaurants, transport, and entertainment) and promote the development of the entire industry chain.¹²⁹ The Macao Trade and Investment Promotion Institute (IPIM) is responsible for developing MICE activities.

4.129. MICE activities in Macao, China followed an upward trend during the review period, up to early 2020, when they were affected by the COVID-19 crisis. The number of events increased from 1,015 in 2012 to 1,536 in 2019, mainly driven by an increase in the number of meetings and conferences; the number of participants also rose (Table 4.18). Moreover, participants of MICE events also tend to spend more than other visitors according to the Macao Statistics and Census Service (DSEC), the expenditure of the visitors at conventions and exhibitions was as much as 2.8 times that of general visitors, from July to September 2019.¹³⁰ With respect to the structure of receipts and expenditure, according to the information provided by the interviewed organizers of the 56 exhibitions which took place in 2019, some 61.7% of total receipts were generated from the rental of exhibition booths, while expenses regarding installation, decoration and audiovisual performance, and publicity and public relations, combined, accounted for 45.1% of total expenditure (Table 4.18). Despite its positive trend, MICE activities were affected by the outbreak of COVID-19 in the first quarter of 2020; a total of 114 MICE events were held in the first quarter of 2020 (down from 377 in the same period of 2019). Also, the number of participants and attendees declined by 75.9% year-on-year, to 80,000 in the first quarter of 2020.¹³¹

Table 4.18 Overview of MICE activities in Macao, China, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Total events (no.)	1,015	1,024	1,050	1,263	1,276	1,381	1,427	1,536
Meetings/conferences	956	958	963	1,163	1,195	1,285	1,342	1,459
Exhibitions and incentives	59	66	87	100	81	96	85	77
Total participants (no. '000)	1,613	2,034	2,614	2,516	1,722	1,902	2,118	2,003
Structure of receipts and expenditure of interviewed exhibition organizers								
No. of organizers	54	63	82	77	54	51	60	56
Total receipts (MOP million)	161.4	182.4	278.6	236.0	155.7	184.0	188.7	179.8
	(% of total receipt)							
Of which:								
Rental receipts of exhibition booths	27.1	33.7	39.4	43.8	56.5	51.2	58.9	61.7
Financial support from the Government or other organizations	71.5	63.6	59.0	53.6	40.3	39.2	36.9	33.7
By type of organizers:								
Government	..	..	2.0	1.8	3.9	3.5	4.6	4.3
Non-government organizations	..	..	98.0	98.2	96.1	96.5	95.4	95.7
Total expenditure (MOP million)	243.4	299.2	347.5	304.7	220.0	228.7	248.4	281.7
	(% of total expenditure)							
Of which:								
Installation, decoration and audio-visual performance, etc.	23.8	30.1	25.4	23.1	27.6	27.2	27.1	29.7
Publicity and public relations	16.4	19.2	20.1	18.9	19.0	16.1	20.4	15.4
Rental paid for the venue	10.9	10.4	10.9	12.5	12.9	12.8	12.6	11.9
Accommodation	9.8	8.8	12.3	11.4	8.7	8.9	9.0	8.1
Freight	..	3.9	5.3	5.2	3.7	4.6	4.1	4.4
Transport	..	3.3	7.3	5.7	4.3	4.4	3.9	4.5
Food and beverages	5.6	3.9	2.9	3.4	3.6	3.9	3.3	3.8
By type of organizers:								
Government	..	..	20.4	23.3	38.6	37.0	43.7	49.2
Non-government organizations	..	..	79.6	76.7	61.4	63.0	56.3	50.8

.. Not available.

Source: DSEC, *MICE statistics*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

4.130. During the review period, the Government continued to invest significant resources to foster events in Macao, China, such as the Macao International Trade and Investment Fair (MIF), the Macao International Environmental Cooperation Forum and Exhibition (MIECF) and the Macao Franchise

to 2017, and to provide suggestions on measures and policies to support the development of the MICE industry.

¹²⁹ MICE, *Macau Convention and Exhibition Development*. Viewed at: <http://www.mice.gov.mo/current/intro.aspx>.

¹³⁰ Information provided by the authorities.

¹³¹ DSEC, *MICE statistics*. Viewed at: <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx>.

Expo (MFE).¹³² The 2019 Statistics Report by the International Congress and Convention Association (ICCA) accredited 54 international meetings held in Macao, China, placing it 48th worldwide and 12th in the Asia-Pacific region with respect to the number of such events.¹³³ With regards to the exhibition segment, the Global Association of the Exhibition Industry (UFI)'s 15th edition of the Trade Fair Industry in Asia report, Macao, China recorded growth of 5.2% in 2018, ranking it among the top 10 in the region; growth was higher than the average for the region, which was of 4.8% and, according to an IPIM study, reflected the good performance for Macao, China's trade fair market.¹³⁴

4.131. To help develop MICE activities, the Government launched a series of incentive measures (Table 4.19). MICE organizers who are interested in hosting conventions or exhibitions in Macao, China, as well as local enterprises and non-profit entities who are interested in joining registered local and overseas MICE activities, are eligible for support from the Government. For instance, the IPIM offers the One-Stop Service for MICE Bidding and Support initiative, to attract convention and exhibition organizers for events to be held in Macao, China. The IPIM also provides financial incentives to encourage local enterprises to participate in trade fairs, to promote their products. Table 4.19 lists the programmes available for the support of MICE activities. Each programme has its own purpose, eligibility and limitations. The amount of financial support varies according to the programme.

4.132. In addition to the previous measures and to the series of measures introduced by the Macao SAR Government to support businesses and residents in response to the COVID-19 pandemic (Box 1.1), the IPIM launched a series of contingency and support measures to provide immediate assistance to the MICE sector to cope with difficulties that it may encounter, which include:

- setting up a 24-hour hotline: at the beginning of the COVID-19 outbreak, the IPIM set up a 24-hour hotline to provide inquiry services and assistance to the convention and exhibition industry, event organizers, and MICE visitors;
- releasing guidelines for COVID-19 prevention: in January 2020, the IPIM released the Preventing Novel Coronavirus Pneumonia – Advice to the Convention and Exhibition Industry guidelines on COVID-19 prevention to the MICE sector, which includes coordination, management and environmental hygiene. Aside from that, the IPIM also called on Macao, China's MICE sector, event organizers and MICE delegates to implement prevention measures;
- strengthening mutual information exchange: the IPIM collected information on how Macao, China's MICE industry operates, by holding meetings to reinforce communication with the industry;
- launching impact assessment surveys: the IPIM launched surveys to assess the impact of the COVID-19 outbreak on the MICE industry. They assess the various impacts on the industry, from how many events were cancelled to the estimated reduction in revenue derived from cancelled and postponed events. The surveys also seek to collect profit forecasts, which are taken into account for the evaluation of the epidemic's impact on the economy; and
- organizing MICE e-workshops: since the COVID-19 outbreak, the IPIM has organized MICE e-workshops covering different themes, with the participation of the local MICE industry, and invited MICE experts across the globe as speakers, in order to continue the sharing of professional knowledge and latest news about the sector.

¹³² IPIM, *Promoting Events*. Viewed at: <https://www.ipim.gov.mo/en/promoting-events/>.

¹³³ Macao SAR Government Portal, *ICCA Report: Macao Ranks Top 50 among International Convention Cities*, 25 May 2020. Viewed at: <https://www.gov.mo/en/news/125496/>.

¹³⁴ IPIM, *Trade Fair Industry in Asia Report Comments on the Positive Development of Macao's MICE Industry*. Viewed at: <https://www.ipim.gov.mo/en/ipim-news/20191105-trade-fair-industry-in-asia-report-comments-on-the-positive-development-of-macaos-mice-industry>.

Table 4.19 Support programmes for MICE activities

Measures	Overview
One-Stop Service for MICE Bidding and Support in Macao, China	The IPIM offers all-round support for convention and exhibition organizers who are interested in hosting events in Macao, China. Its services include providing the latest MICE information to event organizers; assisting them to plan and stage events in Macao, China; following up the application of the Convention and Exhibition Financial Support Programme; carrying out promotion at local and overseas events attended by the IPIM; assisting local companies in organizing events, and linking them up with MICE service providers; and assistance in searching for business partners.
Convention and Exhibition Financial Support Programme	The programme provides basic assistance and/or financial support to organizers and event planners of meetings/conventions and exhibitions to be held in Macao, China. The Programme covers various types of event expenditure, such as accommodation, dining, advertising, speakers, etc. In the beneficiaries' selection process, several criteria are taken into consideration, such as the nature of the event (e.g. theme, scale, and duration), the economic benefits to the local community, past event references, and approval by internationally recognized associations, such as the ICCA or the UFI.
Support Programme for Professional Training and Education in the Convention and Exhibition Sector	In order to develop better professional talent and capacity of staff in the MICE industry, the Programme provides financial support: (i) for organizers incorporated in Macao, China who provide training activities in the areas of conventions and exhibitions, where the courses are held in Macao, China or other Asian cities. The maximum amount of the financial support granted by the IPIM is MOP 3 million, and the maximum amount to be granted each year with respect to each training activity is MOP 600,000; and (ii) for employers and organizations incorporated in Macao, China that sponsor their staff to attend training and/or examinations in relation to conventions and exhibitions conducted in Macao, China or other Asian cities. The maximum amount of financial support granted in each calendar year by the IPIM is MOP 2 million, and the maximum amount granted to each beneficiary is MOP 30,000 per year.
MICE Trade Shows Support Programme	The IPIM organizes MICE industry partners' participation in MICE trade shows held in China and overseas every year. The Programme provides financial assistance for participation in trade shows of entities related to tourism or MICE activities legally registered in Macao, China.
Financial incentives for participation in exhibitions and fairs	The IPIM provides a variety of financial incentives to encourage enterprises and non-profit entities registered in Macao, China to use exhibitions for promotion purposes through product displays and direct contact with customers. All enterprises and non-profit entities registered in Macao, China participating in exhibitions and trade fairs registered with the IPIM that take place locally or internationally are eligible for the financial incentives programme. This incentive is only granted for participation in exhibitions or trade fairs held for two days or more. Applicants of inbound or outbound exhibitions or trade fairs not organized by the IPIM may receive a subsidy of up to 60% of the expenses incurred, with an upper limit of MOP 60,000. Moreover, to encourage enterprises registered in Macao, China to make full use of online business platforms for business promotion, the IPIM launched the E-Commerce Promotion Incentive Measures initiative, which covers a maximum of 70% of related expenses, including service fees, standard website set-up fees, etc, up to an annual accumulated total of MOP 30,000 for each enterprise.

Source: Information compiled by the WTO Secretariat, based on information provided by the authorities; and IPIM, *Incentive Measures*. Viewed at: <https://www.ipim.gov.mo/en/macao-exhibition-and-conference/>.

4.133. The authorities noted that the Macao SAR Government will continue to closely monitor the local MICE sector, and react formulating feasible measures that meet actual needs. The Government will also help the MICE industry to surmount difficulties, safeguard the progress achieved so far, and maintain the steady growth of the industry with a view to continuing to develop and diversify Macao, China's economy in a sustainable way. In addition, the IPIM will continue to monitor and inform the public of the latest developments.

4.4.8.2 Cultural and creative industries

4.134. Creative and cultural industries are one of the priority emerging industries which the Macao, China's Government continued to support since the last Review, as part of its strategy to promote economic diversification. According to Article 3 of Administrative Regulation No. 26/2013, cultural industries refer to economic activities that produce goods with cultural content and provide relevant services and experience by using creativity and intellectual property based on cultural

experiences; these create wealth and job opportunities, and enhance the overall living environment.¹³⁵

4.135. During the review period, the sector grew steadily. Although its contribution to Macao, China's economy is small (the sector represented just 0.6% of total GVA in 2018), more than 2,000 organizations were operating in the sector in 2018 (up from 1,700 in 2015), generating total service receipts of MOP 7.2 billion (up from MOP 6.3 billion) (Table 4.20).

Table 4.20 Principal indicators of the creative and cultural industries, 2015-18

	2015	2016	2017	2018
Organizations (no.)	1,713	1,913	2,091	2,246
Persons engaged (no.)	10,219	10,996	11,721	12,719
Service receipts (MOP million)	6,254	6,752	7,048	7,180
Compensation of employees (MOP million)	1,563	1,709	1,838	1,944
GVA (MOP million)	2,063	2,225	2,367	2,597
Gross fixed capital formation	955	470	443	285
Memo:	(%)			
Services receipts (% of total services receipts)	2.3	2.6	2.3	2.0
GVA (% of total GVA)	0.6	0.6	0.6	0.6

Note: The DSEC started to compile Cultural Industries Statistics in 2015. A technical note on methodology is available at DSEC, Cultural Industries Statistics Technical Note. Viewed at: https://www.dsec.gov.mo/getAttachment/5caff913645a-49a3-affd-1fd735625315/E_CIS_Anexo_2016_Y.aspx.

Source: DSEC, *Cultural Industries Statistics*. Viewed at: <https://www.dsec.gov.mo/zh-MO/Statistic?id=811>; and information provided by the authorities.

4.136. Creative and cultural industries are mainly supported by the Cultural Industry Committee (*Conselho para as Indústrias Culturais*)¹³⁶ and the Department for the Promotion of Cultural and Creative Industries (*Departamento de Promoção das Indústrias Culturais e Criativas* (DPICC))¹³⁷ under the Cultural Affairs Bureau, both established in 2010. The Cultural Industry Committee acts as an advisory body to assist the Government in formulating policies, strategies and measures for the development of the industry. The DPICC is responsible for facilitating the growth of cultural and creative industries in Macao, China.¹³⁸ The DPICC's duties include: collaborating in the process of developing a policy and strategies for the development of cultural and creative industries; proposing measures to support the development of the industries, and monitoring their implementation; and coordinating any public services involved in the promotion and implementation of projects related to these industries, among others.¹³⁹

4.137. The Macao Cultural and Creative Industries Development Policy Framework, 2014-19 sets short, medium- and long-term strategies and corresponding measures for Macao, China's cultural and creative industries.¹⁴⁰ According to the authorities, there is no new policy framework at this stage. The existing policy framework calls for the Government to make full use of the current advantages in gaming and tourism, and focus on promoting cultural tourism, in order to drive the development of creative design, visual arts and cultural performances. The development of cultural trade will also be fostered through regional cooperation. The Government supports various cultural and creative industries (e.g. fashion design, interior design, and paintings) covered by the four major fields of creative design, cultural performance, art collection, and digital media.

¹³⁵ Fundo das Indústrias (Cultural Industry Committee), Administrative Regulation No. 26/2013. Viewed at: https://www.fic.gov.mo/uploads/upload_files/reg-a-26-2013.pdf; and DSEC, *Cultural Industries Statistics, Technical Note*. Viewed at: https://www.dsec.gov.mo/getAttachment/5caff913645a-49a3-affd-1fd735625315/E_CIS_Anexo_2016_Y.aspx.

¹³⁶ Cultural Industry Committee (*Conselho para as Indústrias Culturais*) Introduction. Viewed at: http://www.cic.gov.mo/current/subpage.aspx?a_id=1451898364#.

¹³⁷ Instituto Cultural, Department for Promoting Cultural and Creative Industries. Viewed at: <http://www.icm.gov.mo/en/DPIIC>.

¹³⁸ Instituto Cultural, Department for Promoting Cultural and Creative Industries. Viewed at: <http://www.icm.gov.mo/en/DPIIC>.

¹³⁹ Instituto Cultural, Department for Promoting Cultural and Creative Industries. Viewed at: <http://www.icm.gov.mo/en/DPIIC>.

¹⁴⁰ Fundo das Indústrias Culturais, *Quadro da Política do Desenvolvimento das Indústrias Culturais de Macau*. Viewed at: <https://www.fic.gov.mo/pt/about/frame>.

4.138. Several support schemes aim to promote cultural and creative industries. For instance, the Cultural Affairs Bureau offers a series of subsidies and supporting initiatives through the Subsidy Programme Series for Macao's Cultural and Creative Industries, dedicated to cultural and artistic activities such as design and filming.¹⁴¹ According to the authorities, the objectives of the Subsidy Programme Series for Macao's Cultural and Creative Industries are to cultivate local talents in the cultural and creative sector; incubate potential cultural and creative products; promote and advertise Macao, China's brands; and facilitate the growth of this sector. Since 2013, the Cultural Affairs Bureau has been implementing the Subsidy Programme for Fashion Design on Sample Making; the Support Programme for the Production of Feature Films; the Subsidy Programme for the Production of Original Song Albums; and the Subsidy Programme for the Production of Original Animation Short Films.

4.139. The Cultural Industry Fund (*Fundo das Indústrias Culturais*)¹⁴², which is a public entity with autonomy in terms of administration, finance and property, provides financial aid to projects related to cultural industries, in the form of subsidies and interest-free loans (Table 4.21). It is under the supervision of the Secretary for Social Affairs and Culture. It mainly supports the four previously mentioned major domains of the industries.¹⁴³ Commercial enterprises legally established and registered in Macao, China are eligible for this Fund.¹⁴⁴ According to the authorities, total funding of MOP 502 million was provided from 2014 to 2019 (as at October 2019), for a total of 256 projects.

4.140. In view of the economic effects of COVID-19, the Cultural Industry Fund adopted a one-year extension of the repayment period from 2020 to 2021 for interest-free loans for 75 funded cultural and creative enterprise projects.¹⁴⁵

Table 4.21 Creative and cultural industries: funding methods and periods, and amount of grants

Funding methods		Key aspects for consideration	Funding period	Amount of grants ^a
Free financing	Project subsidies	(i) Establishment, operation and development of cultural industry service platforms (ii) R&D of tangible or intangible products	Up to 5 years ^b	The upper limit of assistance is equivalent to the total investment volume or operating budget calculated after assessment.
	Subsidized interest for bank loans	Projects with development potential		The upper limit of the subsidized interest is equivalent to the actual expense of interest for a certain event.
Interest-free loans ^c		Industrialization, standardization and market-oriented trend of the results of R&D	Up to 10 years ^b	The loan ceiling is equivalent to 50% of the total investment or 50% of the operating budget calculated after assessment.

a In general, the maximum amount of grants does not exceed MOP 9 million.

b For justifiable exceptions, the funding period can be extended for a period not longer than half of the previous one.

c For grants in the form of interest-free loans, the beneficiaries provide a guarantee.

Source: *Fundo das Indústrias Culturais, Main application procedure*. Viewed at: <https://www.fic.gov.mo/en/funding/normal/application-info/3>.

¹⁴¹ Instituto Cultural, *Subsidy Programme Series for Macao's Cultural and Creative Industries*. Viewed at: <https://www.icm.gov.mo/en/CCI-Subsidy>.

¹⁴² *Fundo das Indústrias Culturais*, Administrative Regulation No. 26/2013 (amended by Administrative Regulation No. 11/2019). Viewed at: https://www.fic.gov.mo/uploads/upload_files/rega-26-2013.pdf and https://www.fic.gov.mo/uploads/upload_files/rega-11-2019.pdf.

¹⁴³ *Fundo das Indústrias Culturais, Main application procedure*. Viewed at: <https://www.fic.gov.mo/en/funding/normal/application-info/3>.

¹⁴⁴ *Fundo das Indústrias Culturais, Main application procedure*. Viewed at: <https://www.fic.gov.mo/en/funding/normal/application-info/3>.

¹⁴⁵ Macao SAR Government Portal, *Cultural Affairs Bureau and Cultural Industry Fund support the development of cultural and creative industries by various measures*. Viewed at: <https://www.gov.mo/en/news/123845/>.

4.4.8.3 Traditional Chinese medicine

4.141. Macao, China continues to support the traditional Chinese medicine (TCM) industry, which is one of priority areas for economic diversification under the guidelines of the Five-Year Development Plan (2016-20).¹⁴⁶ In 2015, the Traditional Medicine Centre was established, co-founded with the World Health Organization.¹⁴⁷ The Centre aims to foster the development of Chinese medicine professionals, enhance their qualifications through training, and increase the investment of resources for the industry's development.¹⁴⁸

4.142. Moreover, under the auspices of the Guangdong-Macao Cooperation Framework Agreement, the Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, China (GMTCM Park) was inaugurated in the Guangdong-Macao Cooperation Industrial Zone in the Hengqin New Area¹⁴⁹ in 2011.¹⁵⁰ The GMTCM Park established good manufacturing practice pilot-testing and production, R&D, testing, industrial incubation bases, and other international-grade professional public service platforms that conform to Mainland China and the European Union's certification standards. The GMTCM Park seeks to promote the integrated development of industry-academy research, and the application of technologies and products in the area of TCM.¹⁵¹

4.143. The GMTCM Park also plays a role in developing an international-level quality-control basis for TCM, and an exchange platform for the healthcare industry in PSCs.¹⁵² The Park officially established the Centre of International Cooperation and Exchange on 30 June 2015. Portugal and Mozambique were selected as pilot countries for international exchanges and cooperation work on that date.¹⁵³ By capitalizing on PSCs as entry points, the GMTCM Park expanded its cooperation with different countries and regions bordering PSCs, and built cooperative networks connecting ASEAN and African countries, and the European Union. The GMTCM Park assists enterprises with high-quality TCM products and technologies to break into the markets of PSCs, the European Union, and other economies, thus promoting the internationalization of TCM.¹⁵⁴

¹⁴⁶ The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020), September 2016. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

¹⁴⁷ WHO, *WHO Collaborating Centres*. Viewed at: https://www.who.int/traditional-complementary-integrative-medicine/collaboration/TM_CCs/en/.

¹⁴⁸ The Five-Year Development Plan of the Macao Special Administrative Region (2016-2020), September 2016. Viewed at: https://www.cccmtl.gov.mo/files/plano_quinquenal_en.pdf.

¹⁴⁹ According to the Overall Development Plan of Hengqin, the Hengqin New Area, adjacent to Macao, China, is positioned as a demonstration area for the new model of cooperation between China's Guangdong Province; Hong Kong, China; and Macao, China. IPIM, *Welcome to Hangqin New Area*. Viewed at: <https://m.ipim.gov.mo/en/welcome-to-hengqin-new-area/>.

¹⁵⁰ The Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, China. Viewed at: <http://www.gmtcmpark.com/>.

¹⁵¹ The Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, China. Viewed at: <http://www.gmtcmpark.com/>; and information provided by the authorities.

¹⁵² The Guangdong-Macao Traditional Chinese Medicine Technology Industrial Park Development. Viewed at: <http://www.gmtcmpark.com/>.

¹⁵³ The Guangdong-Macao Traditional Chinese Medicine Technology Industrial Park Development. Viewed at: <http://www.gmtcmpark.com/>.

¹⁵⁴ The Traditional Chinese Medicine Science and Technology Industrial Park of Cooperation between Guangdong and Macao, China. Viewed at: <http://www.gmtcmpark.com/>; and information provided by the authorities.

5 APPENDIX TABLES

Table A1.1 Merchandise imports, by HS section and major HS chapters, 2012-19

HS Section/HS 2-digit level	2012	2013	2014	2015	2016	2017	2018	2019
Total imports (USD million)	8,982.1	10,140.3	11,262.1	10,602.8	8,924.5	9,450.7	11,161.7	11,167.8
	(% of total)							
01 Live animals and products	3.3	3.1	3.2	3.4	4.2	4.0	3.8	4.4
02 Vegetable products	1.2	1.2	1.4	1.6	1.9	2.0	1.9	2.0
03 Fats and oils	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
04 Prepared food, beverages and tobacco	9.6	9.6	10.3	11.1	11.8	11.6	10.5	10.5
HS 19 Preparations of cereals, flour, starch or milk	1.7	2.3	3.2	4.2	3.9	3.9	3.4	3.0
HS 22 Beverages, spirits and vinegar	5.0	4.1	3.9	3.6	4.2	4.0	3.6	3.9
05 Mineral products	11.0	8.4	7.2	7.4	6.9	6.2	6.6	5.6
HS 27 Mineral fuels, mineral oils, and products of their distillation	10.6	8.0	7.0	6.9	6.5	5.7	6.2	5.1
06 Chemicals and products thereof	5.7	6.5	6.8	7.5	9.0	9.1	10.4	13.7
HS 33 Essential oils and resinoids	3.0	3.8	4.0	4.1	5.1	5.4	7.1	9.9
07 Plastics and rubber	0.8	0.7	0.7	0.9	0.9	0.9	0.8	0.8
08 Raw hides and skins; leather	6.4	5.8	4.8	4.4	4.5	5.8	5.4	5.9
HS 42 Articles of leather; saddlery and harnesses; travel goods, handbags and similar containers	6.3	5.8	4.8	4.3	4.5	5.8	5.3	5.9
09 Wood, cork, straw	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.2
10 Pulp of wood; paper and paperboard	0.7	0.6	0.6	0.7	0.8	0.7	0.7	0.7
11 Textiles and textile articles	4.6	4.1	4.2	4.8	5.8	5.6	5.6	6.4
HS 62 Articles of apparel and clothing accessories, not knitted or crocheted	2.3	2.2	2.3	2.7	3.4	3.0	2.5	3.1
12 Footwear, headgear, etc.	2.0	1.9	1.6	2.0	2.1	2.2	2.4	2.9
13 Articles of stone, plaster, cement	0.9	0.7	0.8	1.4	1.2	1.3	0.9	0.6
14 Precious stones and metals, pearls	13.2	16.2	12.9	10.8	10.3	11.1	10.7	9.8
HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals	13.2	16.2	12.9	10.8	10.3	11.1	10.7	9.8
15 Base metals and articles thereof	2.7	3.5	4.3	4.5	3.4	2.4	2.4	2.1
16 Machinery, electrical machines	19.4	16.6	18.2	19.1	16.5	16.4	16.6	14.1
HS 84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	6.1	4.8	5.1	4.7	4.9	4.2	3.7	3.9
HS 85 Electrical machinery and equipment, and parts thereof	13.2	11.8	13.1	14.4	11.5	12.2	12.9	10.2
17 Transport equipment	5.8	5.2	4.8	4.3	3.1	3.2	3.6	3.2
HS 87 Vehicles	5.2	5.0	4.7	4.1	2.9	2.9	2.8	2.9
18 Precision equipment	8.2	9.0	10.0	8.5	8.0	8.0	8.4	8.4
HS 91 Clocks and watches, and parts thereof	7.3	8.2	9.0	7.5	6.9	7.0	7.4	7.4
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	3.8	3.0	3.2	4.3	4.7	4.1	3.9	3.9
21 Works of art, collector pieces and antiques	0.1	0.0	0.2	0.1	0.1	0.1	0.1	0.1
Confidential data	0.0	3.4	4.1	2.8	4.2	4.9	4.8	4.3

Source: WTO Secretariat's calculations, based on data provided by the authorities; and UNSD, Comtrade database.

Table A1.2 Merchandise exports, by HS section and major HS chapters, including re-exports, 2012-19

HS Section/HS 2-digit level	2012	2013	2014	2015	2016	2017	2018	2019
Total exports (USD million)	1,020.5	1,138.3	1,241.3	1,339.0	1,256.6	1,405.8	1,510.4	1,585.6
	(% of total)							
01 Live animals and products	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.2
02 Vegetable products	0.3	0.1	0.1	0.1	0.2	0.1	0.1	0.1
03 Fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
04 Prepared food, beverages and tobacco	10.9	9.4	7.9	6.8	10.0	12.6	10.4	6.0
HS 19 Preparations of cereals, flour, starch or milk	1.0	1.0	1.0	0.8	1.7	5.4	5.4	1.2
HS 22 Beverages, spirits and vinegar	2.8	2.2	1.6	1.3	3.0	3.4	1.8	1.8
HS 24 Tobacco and manufactured tobacco substitutes	6.8	5.9	5.0	4.4	5.1	3.4	2.8	2.8
05 Mineral products	0.0	0.3	0.0	0.0	0.1	0.0	0.0	0.0
06 Chemicals, and products thereof	0.5	1.9	2.1	4.0	2.2	2.4	4.0	5.1
HS 33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0.0	1.4	1.4	1.4	1.5	1.6	3.7	4.6
07 Plastics and rubber	0.9	0.9	0.7	0.6	0.5	0.2	0.1	0.1
08 Raw hides and skins; leather	3.0	3.3	3.3	4.0	3.5	4.0	3.5	3.9
HS 42 Articles of leather; saddlery and harnesses; travel goods, handbags and similar containers	2.9	3.2	3.2	3.9	3.4	4.0	3.4	3.9
09 Wood, cork, straw	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
10 Pulp of wood; paper and paperboard	0.6	0.4	0.5	0.4	0.3	0.2	0.2	0.1
11 Textiles and textile articles	11.4	8.0	6.8	6.7	5.8	6.8	4.9	7.9
HS 61 Articles of apparel and clothing accessories, knitted or crocheted	5.0	3.1	2.5	2.2	1.8	3.3	2.2	3.2
HS 62 Articles of apparel and clothing accessories, not knitted or crocheted	5.9	4.3	3.7	4.2	3.7	3.1	2.4	4.4
12 Footwear, headgear, etc.	1.6	1.6	2.1	0.7	2.6	2.5	2.1	3.1
HS 64 Footwear, gaiters and the like; parts of such articles	1.5	1.6	2.1	0.7	2.5	2.5	2.1	3.0
13 Articles of stone, plaster, cement	0.0	0.2	0.3	0.3	0.2	0.3	0.2	0.6
14 Precious stones and metals, pearls	3.3	5.6	6.2	7.4	5.8	7.9	5.9	8.6
HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals	3.3	5.6	6.2	7.4	5.8	7.9	5.9	8.6
15 Base metals, and articles thereof	1.7	1.9	6.4	2.3	2.1	1.7	1.8	1.1
16 Machinery, electrical machines	23.7	24.7	23.6	18.6	18.1	17.9	22.7	23.3
HS 84 Machinery and mechanical appliances; parts thereof	0.0	2.2	2.9	3.3	3.1	2.1	1.8	1.2
HS 85 Electrical machinery and equipment, and parts thereof	23.7	22.5	20.7	15.2	15.0	15.8	20.9	22.1
17 Transport equipment	0.4	0.6	0.9	2.3	1.6	0.8	0.6	0.8
18 Precision equipment	0.0	5.8	9.8	12.6	10.4	10.3	10.6	9.4
HS 91 Clocks and watches, and parts thereof	0.0	5.1	8.8	11.5	9.8	9.1	10.2	9.0
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	5.0	4.0	3.4	4.5	7.2	5.2	5.2	3.5
HS 95 Toys, games and sports requisites; parts and accessories thereof	4.6	3.3	2.7	3.7	6.1	4.4	4.6	3.2
21 Works of art, collector pieces and antiques	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.0
Confidential data	36.4	31.1	25.2	28.2	29.0	26.7	27.4	25.9

Source: WTO Secretariat's calculations, based on data provided by the authorities; and UNSD, Comtrade database.

Table A1.3 Merchandise imports by origin, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Total imports (USD million)	8,982.1	10,140.3	11,262.1	10,602.8	8,924.5	9,450.7	11,161.7	11,167.8
	(% of total)							
Americas	6.5	5.7	7.2	6.7	5.8	5.5	5.1	5.9
United States	5.5	4.9	6.3	5.6	4.7	4.3	4.0	4.7
Other America	1.0	0.8	0.9	1.1	1.1	1.2	1.1	1.2
Brazil	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.6
Europe	31.8	31.9	32.9	30.0	30.9	32.4	32.3	35.1
EU-28	23.7	23.0	23.5	22.0	23.2	24.8	24.4	27.3
Italy	7.5	7.0	6.4	6.7	7.6	9.3	8.4	10.2
France	8.7	8.6	8.3	6.7	7.8	7.4	8.2	10.1
Germany	2.8	2.4	3.0	2.3	2.0	2.1	2.0	1.9
United Kingdom	2.4	2.3	2.1	1.8	1.3	1.2	1.7	1.6
Netherlands	0.6	0.9	1.5	2.2	1.8	2.4	1.8	1.0
Spain	0.3	0.4	0.5	0.5	0.5	0.7	0.6	0.5
Ireland	0.3	0.4	0.6	0.7	0.8	0.5	0.4	0.5
EFTA	7.9	8.7	9.2	7.8	7.5	7.5	7.8	7.7
Switzerland	7.9	8.6	9.1	7.7	7.4	7.4	7.7	7.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2
Commonwealth of independent states (CIS)	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Africa	0.3	0.4	0.2	0.4	0.3	0.2	0.3	0.2
Middle East	0.4	0.4	0.5	0.4	0.2	0.3	0.3	0.1
Asia	60.9	58.2	55.0	59.6	58.5	56.7	57.0	54.4
China	32.3	30.1	30.7	35.8	34.4	31.4	33.1	31.3
Japan	5.9	5.8	5.3	5.9	6.1	6.7	6.6	6.7
Other Asia	22.7	22.3	18.9	17.9	18.0	18.6	17.3	16.4
Hong Kong, China	11.4	12.9	10.2	8.8	8.6	8.8	7.8	6.2
Korea, Republic of	2.4	2.6	1.9	1.6	2.0	2.5	2.2	2.3
Chinese Taipei	2.0	1.6	1.4	1.6	1.7	1.7	1.6	1.4
Thailand	1.3	1.0	1.0	1.0	1.2	1.2	1.2	1.2
Australia	0.8	0.7	0.7	0.9	1.2	1.1	1.0	1.1
Singapore	2.1	1.7	1.8	1.8	0.9	0.8	0.8	1.0
Malaysia	1.2	0.7	0.7	0.8	0.8	0.7	0.7	0.8
Viet Nam	0.3	0.3	0.3	0.4	0.5	0.6	0.6	0.7
Indonesia	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.5
New Zealand	0.2	0.2	0.3	0.4	0.3	0.3	0.4	0.5
Confidential data	0.04	3.4	4.1	2.8	4.2	4.9	4.8	4.3

Source: WTO Secretariat's calculations, based on data provided by the authorities; and UNSD, Comtrade database.

Table A1.4 Merchandise exports by destination, including re-exports, 2012-19

	2012	2013	2014	2015	2016	2017	2018	2019
Total exports (USD million)	1,020.5	1,138.3	1,241.3	1,339.0	1,256.6	1,405.8	1,510.4	1,585.6
	(% of total)							
Americas	5.5	3.2	2.3	1.2	0.9	0.9	0.7	2.0
United States	4.4	2.5	1.8	1.0	0.8	0.8	0.5	1.9
Other America	1.2	0.7	0.5	0.2	0.2	0.1	0.2	0.1
Canada	0.5	0.3	0.1	0.0	0.0	0.1	0.1	0.1
Europe	2.6	2.0	1.5	0.8	0.4	0.7	0.6	0.5
EU-28	2.6	1.9	1.5	0.8	0.4	0.7	0.6	0.5
Germany	0.8	0.4	0.4	0.3	0.2	0.1	0.3	0.2
France	0.5	0.6	0.3	0.2	0.1	0.3	0.2	0.1
United Kingdom	0.2	0.3	0.2	0.1	0.0	0.1	0.0	0.1
Italy	0.2	0.1	0.3	0.1	0.0	0.0	0.0	0.1
Netherlands	0.6	0.3	0.1	0.0	0.0	0.1	0.0	0.0
EFTA	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of independent states (CIS)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Africa	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Middle East	0.2	0.1	0.1	0.5	0.5	0.2	0.1	0.0
Asia	55.1	63.6	70.7	69.2	69.2	71.5	71.2	71.6
China	11.0	11.4	13.0	13.3	13.2	15.0	11.1	8.4
Japan	0.5	0.4	0.2	1.0	1.6	0.7	0.2	0.6
Other Asia	43.7	51.7	57.5	54.9	54.4	55.8	59.8	62.6
Hong Kong, China	39.7	47.5	55.1	52.3	49.2	53.5	57.4	60.0
Cambodia	0.0	0.0	0.0	0.1	0.1	0.6	0.1	0.5
Singapore	0.8	0.5	0.7	0.7	0.8	0.5	0.6	0.5
Viet Nam	1.7	2.1	0.1	0.3	0.2	0.3	0.9	0.5
Philippines	0.2	0.4	0.7	0.4	2.9	0.2	0.2	0.3
Sri Lanka	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.3
Chinese Taipei	0.4	0.4	0.5	0.5	0.4	0.2	0.1	0.1
Korea, Republic of	0.1	0.2	0.1	0.0	0.1	0.1	0.0	0.1
Australia	0.4	0.1	0.1	0.0	0.0	0.0	0.1	0.1
Malaysia	0.4	0.4	0.2	0.6	0.1	0.1	0.1	0.0
Thailand	0.0	0.1	0.0	0.0	0.3	0.1	0.1	0.0
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Confidential data	36.4	31.1	25.2	28.2	29.0	26.7	27.4	25.9

Source: WTO Secretariat's calculations, based on data provided by the authorities; and UNSD, Comtrade database.