



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MACAO, CHINA

This report, prepared for the fourth 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.

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Document WT/TPR/G/281 contains the policy statement submitted by Macao, China.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Macao, China. This report was drafted in English.

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SUMMARY

1. Macao, China remains an open economy, with zero-rated applied tariffs, and few restrictions on trade and investment. Its economy recorded strong growth during the review period (2007-12), with double-digit GDP growth rates for most of the years (except 2008 and 2009). Growth has been led by services exports, in particular tourism including gaming. Competition between gaming operators, since the opening of the sector in 2002, has stimulated a prospering tourism sector: tourism exports rose to US\$38 billion in 2011, from US\$7.5 billion in 2004 when the first foreign-invested gaming concessionary entered into operation, and from US\$4.3 billion in 2002 when the gaming sector was liberalized. The "Individual Traveller Scheme" under the Closer Economic Partnership Arrangement (CEPA) between Macao Special Administrative Region (SAR) and China, which has been in place since 2004, has enabled an increasing number of tourists from China.

Economic performance

2. Macao SAR is heavily dependent on trade. In 2011, trade (imports and exports of goods and services) was equivalent to about 160% of GDP. Macao SAR has maintained a current account surplus due to strong services exports, while merchandise trade deficits reflect a shrinking manufacturing sector. Merchandise exports dropped 65% during the review period. FDI has in general grown. Half of the FDI into Macao SAR was in the gaming sector, while retail and wholesale business was the second largest recipient.

3. Macao SAR's economy became more services oriented during the review period. In 2011, services accounted for about 90% of GDP and employment; the gaming sector accounted for 45% of GDP and 20% of employment. Direct tax from gaming accounted for about 80% of total government revenue, which allowed the Government to maintain a fiscal surplus, and thus to continue to improve its infrastructure. Macao SAR has been transformed into the world's leading gaming destination. The Government is trying to maintain the sustainable development of the gaming industry and recently took several decisions to regulate the scope and pace of the industry's expansion.

4. The fast growth of the economy and the dominance of the gaming sector has placed upward pressure on prices, in particular of land and labour. Macao SAR's currency, the pataca, is pegged to the Hong Kong dollar and hence indirectly to the U.S. dollar, so that during the review period, the pataca depreciated against the currencies of Macao SAR's major trading partners, including China. Thus, Macao SAR had to pay more for imports. The composite CPI, a measurement for inflation, has been increasing. However, Macao SAR does not have autonomous monetary policies because of its exchange rate system.

5. Soaring local factor prices harm the competitiveness of non-gaming sectors, including manufacturing. Although Macao SAR is a free port, where goods enter with zero tariffs and few border measures, the manufacturing sector continued to shrink mainly because of the relatively high production costs pushed up by the small size of the territory and the population, and a prospering tourism and gaming sector. The contribution from manufacturing to GDP dropped from 2.9% in 2007 to 0.7% in 2011, and its share of total employment fell from 7.1% to 3.9%.

6. The Government's efforts to diversify the economy include facilitating the development of non-gaming services, such as conventions and exhibitions, cultural and creative industries, traditional Chinese medicines, and commercial and trade services (i.e., import and export services). Regional cooperation (such as with Guangdong Province of China) would be an important channel for Macao SAR to overcome its constraints and improve its competitiveness.

7. The Government has adopted a number of measures to nurture an attractive business environment, for example, measures to lower business costs include maintaining a simple taxation structure and a low level of administrative fees, as well as opening the telecommunication market. It has also adopted measures to introduce competition in the public utility sector. To meet the increasing demand for electricity, most of which has to be imported, the Government is preparing for a "partial liberalization" of the electricity market. According to a renewed concession contract with the incumbent electricity supplier, signed in 2010, the Government may decide when to open the markets of upstream power generation and electricity importation to other investors.

Trade and investment regime

8. Macao SAR's institutional and policy framework has remained largely unchanged since its Review in 2007. In accordance with the Basic Law, Macao SAR maintains the status of a free port, pursues the policy of free trade, and safeguards the free movement of goods, intangible assets, and capital. Promoting economic diversification and increasing regional cooperation remain the top priorities of the Government. The CEPA with China is felt to provide opportunities for Macao SAR's future development.

9. The CEPA consists of three parts: trade in goods, trade in services, and trade and investment facilitation. So far, the biggest effect of the CEPA on Macao SAR's economy was through the Individual Traveller Scheme: the relaxed visa restrictions on travel by Mainland Chinese have enabled strong growth in the number of tourists to Macao SAR. The authorities are attempting to utilize the resources and opportunities offered by the CEPA to encourage manufacturers to bring new industries into the territory, albeit with limited success so far. Textile and garment manufacturing has continued to shrink, since the Agreement on Textiles and Clothing (ATC) expired in 2005. Figures from the authorities indicate that preferential treatment under the CEPA has nurtured some "new" manufacturing industries, such as food and coffee processing. Macao SAR exports more services than merchandise and it is possible that the services sector, and the sale of services to the Pearl River Delta region of the neighbouring Guangdong province, rather than manufacturing, will make more effective use of preferential access to the Chinese market under CEPA's services provisions.

Trade policies and practices

10. Macao SAR's trade and investment regime remains relatively open. All imports enter duty free. However, the scope of Macao SAR's tariff binding remains limited, with around 70% of its tariff lines unbound. During the review period, Macao SAR notified the WTO that additional pharmaceutical products were bound as a result of the expansion of product coverage in the Pharmaceutical Agreement.

11. There are few non-tariff border measures, and import licensing has been maintained only for reasons of health, safety, environment, and the administration of consumption tax. Although consumption taxes are levied on imports and domestically produced goods alike, they fall disproportionately on imports because there is little or no domestic production of these goods. Partially reflecting the economic diversification efforts to develop other non-gaming tourism sectors, the Government abolished its consumption taxes on beverages with alcoholic concentration below 30%. Hence, the importation of these products no longer requires an import licence.

12. Macao SAR does not develop its own standards but adopts international or overseas standards, where appropriate. Imports of automobiles and radio-communication equipment are subject to licensing to ensure that mandatory technical requirements for these products are met. When applying for licences, testing results and certifications issued by the manufacturers or other authorities are accepted as a useful reference.

13. Macao, China is not a signatory to or an observer of the WTO Agreement on Government Procurement (GPA). Foreign presence in government procurement increased markedly during the period under review. In 2011, foreign supplies accounted for 27% of procurement contracts signed centrally by the Financial Service Bureau, up from 9% in 2007. This may still under-represent the share of foreign supplies in public procurement, as foreign companies registered with the Financial Services Bureau are considered local companies (regardless of whether they are locally corporatized), and country of origin is not recorded.

14. Macao SAR maintains a simple tax structure and low tax rates. In response to soaring global prices, consumption tax on fuel and lubricants were abolished in August 2008. New purchases of environment-friendly motor vehicles are exempt from motor vehicle taxes. The Government offers tax incentives including exemption/reduction of profit tax. Non-tax incentives such as interest subsidies and credit guarantees are also available, mainly for small and medium-sized enterprises (SMEs).

15. The Copyright and Related Rights Code was amended in 2012 to enhance copyright protection in a digital environment. Subject to approval by the Macao Economic Services, holders of invention patents granted by China's State Intellectual Property Office (SIPO) may request extension of their rights to Macao SAR. During the review period, the number of invention patent applications declined whereas the number of extensions increased steadily. Macao SAR maintained active IPR enforcement, in particular confiscation of infringing products such as compact discs, medicines, and cigarettes.

16. There has not been overarching competition legislation in Macao SAR. The authorities consider that current provisions, which are scattered around various laws and sector-specific regulations and rules, have provided adequate protection given that the territory is small and most businesses are SMEs. In the last ten years, a series of measures were adopted to introduce competition to the gaming sector, the public utility sector, and the telecommunication sector.

Outlook

17. As a small open economy, Macao SAR's future growth is strongly influenced by external demand in its trading partners. Given that international organizations including the IMF have lowered growth forecasts for the East Asian region, the Macao Monetary Authority (AMCM) estimates that the economy grew, in real terms, 9.0% in 2012, down from 21.9% in 2011. The AMCM also anticipates single-digit growth in 2013. Domestic demand, underpinned by both public- and private-funded construction of infrastructure and tourism-related facilities, is expected to be one of the driving forces of economic growth. Services exports are expected to grow at a slower pace than in recent years.

18. During the period under review, Macao SAR began infrastructure improvements through a number of public construction projects, such as the Light Rapid Transit project, improvement of the Border Gate checkpoint, and the construction of the Hong Kong – Zhuhai – Macao Bridge. These improvements in infrastructure will allow better connection and thus better integration into the Pan-Pearl River-Delta region, which is believed to be crucial to Macao SAR's diversification efforts: by sourcing more land supplies and pooling all resources in the area such as financial intermediates, passenger hubs, and logistics facilities, to facilitate the development of tourism industries as well as manufacturing.

1 ECONOMIC ENVIRONMENT

1.1 Major features of the economy

1.1. Macao Special Administrative Region (Macao SAR or the MSAR) of China is a small open economy. Macao SAR has a total land area of 30 km², consisting of Macao peninsula, and the islands of Taipa and Coloane.¹ At the end of September 2012, the population in the MSAR was 576,700, with an employed population of 344,000.

1.2. During the review period, the services-oriented economy of Macao SAR became even more dominated by tourism, particularly related to gaming. Its already small manufacturing sector continued to shrink, accounting for less than 1% of GDP in 2011 (Table 1.1). Agriculture remains negligible, with no official information on its share in GDP or employment. The services sector accounted for 94% of GDP, with the gaming sector alone contributing 45% of GDP (up from 30% in 2007). This reliance on a few sectors makes the economy vulnerable to external shocks.

Table 1.1 Sector shares in production and employment, 2007-11

(%)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------|------|------|------|------|
| Production share in GDP^a by sector | | | | | |
| Secondary sector | 19.1 | 17.2 | 10.9 | 7.4 | 6.4 |
| Manufacturing | 2.9 | 2.1 | 1.5 | 0.9 | 0.7 |
| Electricity, gas and water supply | 1.2 | 1.2 | 1.3 | 1.1 | 0.8 |
| Construction | 15.1 | 14.0 | 8.1 | 5.5 | 4.9 |
| Tertiary sector | 80.9 | 82.8 | 89.1 | 92.6 | 93.6 |
| Wholesale, retail, repair, hotels and restaurants | 10.3 | 12.3 | 14.0 | 15.0 | 15.6 |
| Transport, storage and communications | 4.0 | 3.4 | 3.6 | 3.7 | 3.3 |
| Financial intermediation, real estate, renting and business activities | 22.8 | 22.8 | 23.7 | 19.4 | 17.8 |
| Public administrations, other community, social and personal services (including gaming) | 43.7 | 44.3 | 47.8 | 54.5 | 56.9 |
| Gaming | 29.8 | 29.4 | 32.0 | 41.1 | 44.7 |
| Public administrations, other community, social and personal services (excluding gaming) | 14.0 | 14.8 | 15.7 | 13.4 | 12.2 |
| Employment share by economic activity | | | | | |
| Manufacturing | 7.1 | 7.7 | 5.3 | 4.8 | 3.9 |
| Construction | 10.6 | 11.9 | 10.2 | 8.6 | 8.6 |
| Wholesale and retail trade | 13.4 | 12.3 | 13.1 | 13.2 | 13.3 |
| Hotels, restaurants and similar activities | 11.6 | 12.9 | 13.8 | 13.6 | 14.1 |
| Transport, storage and communications | 5.8 | 4.9 | 5.2 | 5.8 | 4.9 |
| Financial intermediation, real estate, renting and business activities | 9.6 | 9.7 | 10.5 | 11.1 | 11.0 |
| Public administration | 8.0 | 6.1 | 6.3 | 6.8 | 7.0 |
| Social and personal services (excluding gaming) | 11.8 | 13.6 | 15.2 | 15.7 | 15.1 |
| Gaming | 21.4 | 20.6 | 19.8 | 20.0 | 21.4 |
| Others | 0.6 | 0.4 | 0.7 | 0.5 | 0.7 |

a GDP at current prices

Source: Information provided by the authorities of Macao, China.

1.3. Macao SAR's currency, the Macao pataca (MOP), is pegged to the Hong Kong dollar at a rate of MOP 1.03/HK\$1.00. The authorities are aware of the pros and cons of the pegged exchange rate system, and indicated that pegging to the Hong Kong dollar will not change in the foreseeable future given the share of Hong Kong dollars in the MSAR's foreign reserves and monetary aggregates², and the fact that the Hong Kong dollar is the major settlement currency in the gaming sector.

¹ The two islands are linked by COTAI Reclamation Area.

² At the end of April 2012, Hong Kong dollars comprised 55.1% of the MSAR's monetary aggregates (broad money supply, M2).

1.4. Macao SAR does not maintain autonomous monetary policies because of its exchange rate system. The Macao Monetary Authority (AMCM) noted that maintenance of monetary stability, by means of the pegged exchange rate, is the prime monetary policy objective for the MSAR.³ The AMCM's base rate (interest rate) is maintained at the level of the base rate of the Hong Kong Monetary Authority.

1.2 Recent economic developments

1.5. The economy of Macao SAR grew strongly during the review period (from 2007 to 2012). GDP growth rates were double-digit except in 2008 and 2009 (Table 1.2). Single-digit growth in 2008-09 reflected, *inter alia*, the impact of the global financial crisis through lower demand for tourism and gaming services, and the suspension of infrastructure construction projects of recreation facilities. The economy resumed its fast growth from 2010. During the review period, GDP per capita almost doubled, from US\$34,662 in 2007 to US\$67,093 in 2011. The real growth of the economy is attributed to services' exports and large-scale public investments; 31% of the GDP growth in 2011 was contributed by services' exports.⁴ Private consumption has also grown in line with the economic performance.

Table 1.2 Selected macroeconomic indicators, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|--------|--------|--------|--------|
| Real GDP (MOP billion, 2010 prices) | 169.3 | 175.0 | 178.0 | 226.9 | 276.7 |
| Real GDP (US\$ billion, 2010 prices) | 21.1 | 21.8 | 22.3 | 28.4 | 34.5 |
| Current GDP (MOP billion) | 145.1 | 166.3 | 170.2 | 226.9 | 295.5 |
| Current GDP (US\$ billion) | 18.1 | 20.7 | 21.3 | 28.4 | 36.9 |
| GDP per capita at current market price (US\$) | 34,662 | 38,391 | 39,775 | 52,818 | 67,093 |
| National accounts^a | (Percentage change, unless otherwise indicated) | | | | |
| Real GDP (2010 prices) | 14.3 | 3.4 | 1.7 | 27.5 | 21.9 |
| Consumption | 11.0 | 4.6 | 5.1 | 6.6 | 9.5 |
| Private consumption expenditure | 9.6 | 5.2 | 2.4 | 7.2 | 11.0 |
| Government consumption expenditure | 15.1 | 2.9 | 13.2 | 4.9 | 5.5 |
| Gross fixed capital formation | 24.0 | -14.8 | -32.3 | -16.8 | 16.5 |
| Private sector | 30.3 | -14.2 | -36.8 | -22.4 | 7.3 |
| Government | -27.2 | -23.7 | 34.4 | 24.1 | 58.6 |
| Exports of goods and services | 22.5 | 9.1 | -1.5 | 44.4 | 29.0 |
| Imports of goods and services | 29.1 | 2.2 | -18.7 | 29.1 | 29.6 |
| XGS/GDP (% , at current market price) | 93.5 | 97.0 | 94.1 | 105.9 | 111.06 |
| MGS/GDP (% , at current market price) | 65.9 | 63.3 | 49.6 | 49.8 | 53.0 |
| Labour market | | | | | |
| Employed population (thousand) | 293.0 | 317.1 | 311.9 | 314.8 | 327.6 |
| Unemployment rate (%) | 3.2 | 3.0 | 3.5 | 2.8 | 2.6 |
| Prices and interest rates | (% , unless otherwise indicated) | | | | |
| Inflation (CPI, percentage change) | 5.6 | 8.6 | 1.2 | 2.8 | 5.8 |
| Import price (import unit value, percentage change) | 3.2 | 8.3 | -0.6 | 4.0 | 8.1 |
| Lending rate | 7.81 | 5.43 | 5.25 | 5.25 | 5.25 |
| Deposit rate | 2.85 | 1.10 | 0.03 | 0.02 | 0.05 |
| Exchange rate | | | | | |
| MOP/US\$ (annual average) | 8.04 | 8.02 | 7.98 | 8.00 | 8.02 |
| Nominal effective exchange rate (percentage change) | -4.32 | -5.59 | 1.13 | -0.77 | -4.99 |
| | (% of current GDP, unless otherwise indicated) | | | | |
| Fiscal policy | | | | | |
| Total revenue | 37.0 | 37.4 | 41.1 | 39.0 | 41.6 |
| Tax revenue | 24.2 | 27.0 | 27.4 | 31.3 | 34.4 |
| Tax revenue from gaming | 22.0 | 26.0 | 26.9 | 30.3 | 33.7 |
| Total expenditure | 16.1 | 18.3 | 20.8 | 16.9 | 15.4 |
| Overall balance | 20.9 | 19.1 | 20.2 | 22.1 | 26.2 |
| Saving and investment | | | | | |
| Gross national saving | 16.6 | 19.1 | 20.3 | 17.5 | .. |
| Gross domestic investment | 14.6 | 14.5 | 15.4 | 15.3 | .. |
| Savings-investment gap | 2.0 | 4.6 | 4.9 | 2.2 | .. |

³ AMCM (2012b).

⁴ DSEC online information, "Gross Domestic Products". Viewed at: <http://www.dsec.gov.mo/Statistic.aspx?NodeGuid=b35edb8a-ed5c-4fab-b741-c91b75add059>.

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|-------|-------|
| External sector | | | | | |
| Current account balance | 23.8 | 19.5 | 31.8 | 43.0 | 47.8 |
| Net merchandise trade | -26.0 | -24.7 | -20.7 | -19.5 | -21.2 |
| Merchandise exports | 14.1 | 10.1 | 5.2 | 3.7 | 3.0 |
| Merchandise imports | -40.1 | -34.8 | -25.8 | -23.2 | -24.2 |
| Services balance | 53.8 | 58.3 | 65.1 | 75.3 | 79.9 |
| Capital account | 1.8 | 1.9 | 2.8 | 0.1 | -0.4 |
| Financial account | 9.2 | 5.2 | -23.1 | -23.4 | -28.2 |
| Direct investment | 27.8 | 15.1 | 0.9 | 13.9 | 4.0 |
| Balance of payments | 19.4 | 11.0 | 9.9 | 18.2 | 27.6 |
| Terms of trade | -3.8 | -2.8 | -0.5 | -0.8 | 0.7 |
| Merchandise exports (percentage change) ^b | -0.6 | -17.5 | -47.7 | -4.0 | 5.7 |
| Merchandise imports (percentage change) ^b | 24.4 | -0.3 | -23.7 | 19.7 | 35.5 |
| Service exports (percentage change) ^b | 35.8 | 25.0 | 6.0 | 52.5 | 38.6 |
| Service imports (percentage change) ^b | 50.7 | 26.8 | -13.0 | 48.8 | 40.7 |
| International reserves, excl. gold (US\$ billion) | 13.2 | 15.9 | 18.4 | 23.7 | 34.0 |
| in months of imports of goods and services ^c | 14 | 15 | 21 | 20 | 21 |

.. Not available.

- a Percentage changes based on national currency.
b Percentage change based on U.S. dollar values.
c Based on BOP imports.

Source: Government of Macao Special Administrative Region Statistics and Census Survey online information; Monetary Authority of Macao, China; and the IFS.

1.6. The gaming sector continued its rapid expansion during the review period and has remained the major contributor to the Government fiscal surplus. From 2007 to 2011, gross gaming revenue (GGR) rose 217%⁵, and the direct tax revenue from gaming increased by 221% (Table 3.8). Consequently, the share of direct tax revenue from gaming in total government revenue grew from 54.6% in 2007 to 76.5% in 2011. Owing to the rapid increase in this source of government revenue, Macao SAR has maintained fiscal surpluses since 2001: its fiscal surplus accounted for 26% of GDP in 2011, up from 21% in 2007 (Table 1.2).

1.7. The healthy fiscal position allows Macao SAR to improve its infrastructure in order to accommodate the fast-growing number of visitors and their rapidly increasing demand for, *inter alia*, recreation facilities, transport, and energy. A number of public infrastructure construction projects have begun recently, such as the Light Rapid Transit project, the improvement of the Border Gate checkpoint, construction of Hong Kong – Zhuhai – Macao Bridge, and public housing projects. Also, as a counter-crisis measure, public investment stepped in to fill the investment gap caused by the contraction of private investment in 2009-10. Gross fixed capital formation by the Government grew, in real terms, by 34%, 24%, and 59% in 2009, 2010, and 2011 (Table 1.2). In the first quarter of 2012, public investment soared by 454%.⁶

1.8. Investment in gaming, by both local and foreign operators, accounted for a large share of private investment in Macao SAR. More than half of FDI into Macao SAR was in gaming (Table 1.6). Amid the global financial crisis, private investment fell sharply: gross fixed capital formation by the private sector contracted, in real terms, by 37% in 2009. Private investment growth resumed from 2011 and private sector gross fixed capital formation grew 7%. It is expected to become an important growth pillar in the near future.⁷

1.9. The fast growth of the economy has placed upward pressure on price levels. The Composite CPI (a measurement for inflation) rose 5.8% in 2011; and in the first half of 2012, inflation of 6.4% on a year-on-year basis was reported.

1.10. Given the small size of the economy, the most obvious effect of the booming gaming sector is on the local labour market, by raising labour prices. The unemployment rate decreased during

⁵ DSEC online information, "Gaming Sector Survey", various issues. Viewed at: <http://www.dsec.gov.mo/Statistic.aspx?lang=en-US&NodeGuid=f5c8d76d-4db1-4ac1-8541-f578907583b2>.

⁶ This amount reflects investments in the construction-related projects during this period (AMCM, 2012b).

⁷ AMCM (2012b).

the review period, and reached a record low level of 2.0% in the third quarter of 2012. Non-resident workers accounted for 29% of total employment in Macao SAR at the end of 2011. Reflecting this increasing demand for labour, wages have been rising: the overall median monthly employment earnings increased from MOP 8,000 in 2007 to MOP 11,700 in the third quarter of 2012.

1.11. Reflecting land constraints, property rental prices have also been rising, by almost 5% year-on-year in the first half of 2012. Soaring local-factor prices harm the competitiveness of small and medium-sized enterprises in sectors outside gaming; partly because of this, the manufacturing sector has continued to shrink. For example, after the expiry of the Agreement on Textiles and Clothing (ATC), the industrial output of the textile sector shrank to MOP 2,109 million in 2011, down from MOP 9,583 million in 2007.⁸

1.12. The evolution of inflation is also related to international prices, as the MSAR imports most of its food and consumer goods. In 2011, the import price level (reported as "import unit value" by the authorities) doubled to 8% (Table 1.2). Food accounts for more than 20% of consumer goods imports, and takes the largest weight (32.78%) in calculating the Composite CPI; 47% of the Composite CPI growth in 2011 was attributed to inflation of food prices.⁹ Given that Macao SAR pegs its currency to the Hong Kong dollar, which implies an indirect link to the U.S. dollar, price changes in US\$ terms with trading partners would have a one-on-one passing-through effect on the local price. Therefore Macao SAR's nominal effective exchange rate generally depreciated during the period under review; a 5% year-on-year depreciation was reported in 2011. A similar effect was observed in the terms of trade of the MSAR.

1.13. In recent years, the MSAR Government has identified the Meetings, Incentives, Conventions, and Exhibitions (MICE) industry as one of the key driving forces to diversify the economy, making MICE part of the goal of building Macao into a world tourism and leisure centre (section 4.3.5). Macao SAR tries to attract MICE visitors as well as package-tour travellers who would stay longer and spend more on non-gaming activities.¹⁰ The number of package-tour visitors continues to grow; the growth rate was 24.8% (year-on-year) in the first eight months of 2012.

1.14. The non-gaming hospitality capacity and related facilities have expanded considerably since 2006. Turnover of the non-gaming sectors in the tourism industries, e.g. hotels and retail, reported substantial growth. The authorities note that, in the first quarter of 2012, sales of "watches, clocks & jewellery", "goods in department stores" and "leather goods" grew by 43%, 35%, and 24% respectively. Despite this, the share in GDP terms of wholesale, retail, repair, hotels and restaurants remains relatively small compared with the income generated from gaming (Table 1.1).

1.15. As diversification efforts are tightly constrained with land availability, land allocation is an instrument used by the Government to facilitate diversification. When business investors apply to the Government for land concessions, they must specify a minimum amount of investment, which must be recognized by the Government as beneficial to the development of Macao SAR. The draft amendment to the Land Law proposes that implementation of the diversification policies is regarded as in the "public interests", i.e. "beneficial to the development of Macao SAR". The authorities indicate that land concessions for gaming facilities have no longer been granted to applications filed after 2008.

1.3 Developments in trade

1.16. Macao SAR is highly dependent on trade. In 2011, the share of trade (import and export of goods and services) in GDP was 163%. During the period under review, Macao SAR maintained a current account surplus due to strong services exports (Table 1.3). The services trade surplus has

⁸ DSEC online information, "Industrial Survey". Viewed at: <http://www.dsec.gov.mo/Statistic.aspx?lang=en-US&NodeGuid=a520644a-b71a-41c8-9689-88a647063fa6> [25.10.12].

⁹ DSEC online information, "Consumer Price Index: 2011". Viewed at: http://www.dsec.gov.mo/getAttachment/d42f0a3a-623e-4286-a2b2-109c59ccd147/E_IPC_PUB_2011_Y.aspx?disposition=attachment [20.10.12].

¹⁰ Currently tourism exports are dominated by short-stay or even same-day travellers, who are likely to spend less on non-gaming activities than package-tour or longer stay travellers.

been increasing, with faster growth in exports than imports. There has been an increasing outflow of remittances by non-resident workers, which reflects Macao SAR's open position regarding mode 4 of services trade. The MSAR's overall balance of payments remained in surplus throughout the period under review; in 2011 international reserves covered 21 months of imports of goods and services.

Table 1.3 Balance of payments, Macao, China, 2007-11

(US\$ million)

| | 2007 | 2008 | 2009 | 2010 | 2011 ^a |
|---|----------|----------|----------|----------|-------------------|
| Current account | 4,306.0 | 4,036.1 | 6,787.8 | 12,189.5 | 17,604.5 |
| Goods | -4,691.2 | -5,116.9 | -4,408.3 | -5,538.8 | -7,817.4 |
| Services | 9,720.0 | 12,077.1 | 13,876.7 | 21,342.7 | 29,434.0 |
| Income | -154.6 | -2,107.9 | -1,860.9 | -2,875.2 | -4,951.2 |
| Current transfers | -568.3 | -816.3 | -819.7 | -739.3 | 939.2 |
| Capital and financial account | 3,790.7 | 1,464.0 | -4,327.8 | -6,626.2 | -10,540.6 |
| Capital account | 318.6 | 393.4 | 604.2 | 19.6 | -143.9 |
| Financial account^b | 3,472.1 | 1,070.5 | -4,932.0 | -6,645.8 | -10,396.6 |
| Financial non-reserve assets (net change) | 6,979.0 | 3,344.7 | -2,817.3 | -1,488.0 | -218.3 |
| Direct investment | 5,012.5 | 3,137.8 | 186.4 | 3,931.2 | 1,484.5 |
| Portfolio investment | -1,251.2 | -1,388.3 | -1,675.3 | -842.6 | -1,879.3 |
| Financial derivatives ^c | 48.0 | -29.3 | -15.2 | -8.1 | -43.7 |
| Other investment | 3,169.6 | 1,624.5 | -1,313.1 | -4,568.6 | 220.2 |
| Reserve assets ^d | -3,506.9 | -2,274.2 | -2,114.7 | -5,157.8 | -10,178.3 |
| Errors and omissions | -8,096.6 | -5,500.0 | -2,460.0 | -5,563.3 | -7,064.0 |
| Overall balance of payments | 3,506.9 | 2,274.2 | 2,114.7 | 5,157.8 | 10,178.3 |

a Figures are subject to later revisions.

b "-" represents a decrease in external liabilities or an increase in external assets, indicating an outflow of funds.

c According to the latest revision of the IMF, financial derivatives are presented as an individual item of the financial account.

d Excluding price and exchange rate changes as well as other adjustments.

Source: Information provided by the authorities of Macao, China.

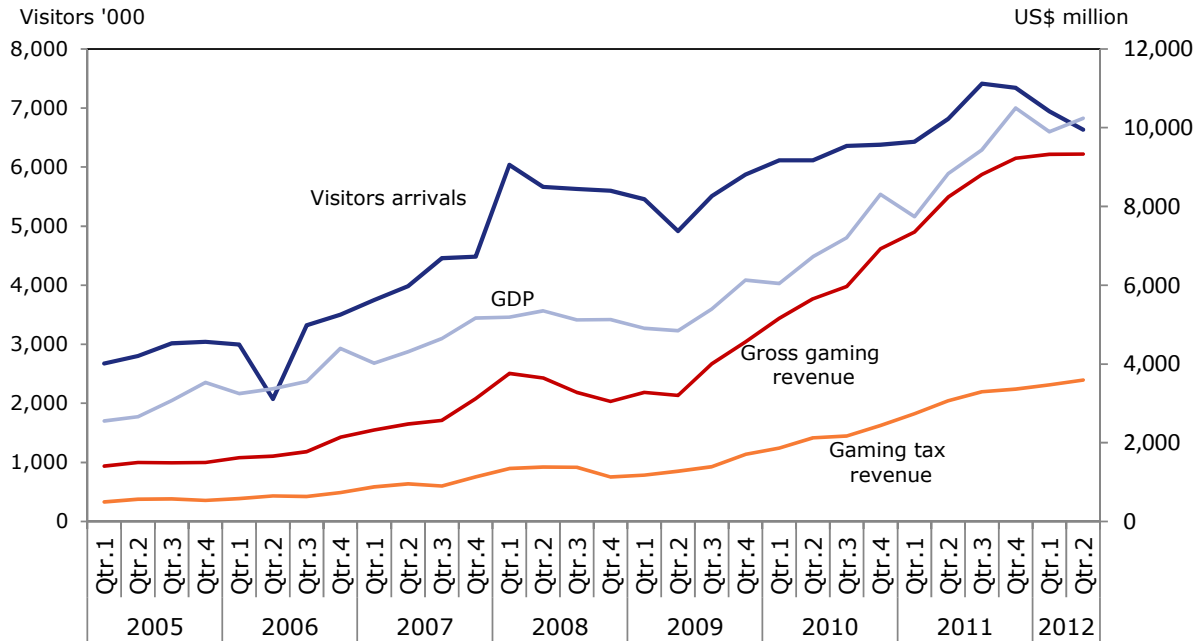
1.3.1 Composition of trade

1.17. Services exports accounted for 97% of the MSAR's total exports of goods and services in 2011. Tourism (recorded under Travel), including gaming exports, accounts for almost the entire total (Table 1.4). Reflecting the effect of introducing competition into the gaming sector, as elaborated in the last TPR¹¹, tourism sector exports have grown almost ten-fold: tourism exports rose to US\$38,451 million in 2011, from US\$7,479 million in 2004 when the first foreign-invested gaming concessionary was in operation, and from US\$4,306.1 in 2002 when the gaming sector was liberalized. Some research has indicated a close positive correlation between tourist arrivals and GDP growth (Chart 1.1). Exports of non-gaming tourism services increased by 13% in the second quarter of 2012, of which accommodation and other non-gaming expenditure grew by 12% and 13% respectively.¹² Transportation is the second-largest services export sector, followed by financial services.

1.18. The largest services imports by Macao SAR were "other business services", accounting for more than 60% of services imports during the review period (Table 1.4). The authorities indicate that "other business services" contains mostly "auxiliary services related to the operations of casinos", which mainly reflected payments to gaming junkets for the sales of rolling chips abroad as the gaming sector fast expands.

¹¹ WTO (2007).

¹² One of the objectives of gaming liberalization in 2002 was to bring in healthy and constructive competition to the gaming industry and to encourage the gaming concessionaires to include other amenities in their properties, such as more MICE, retail shops, food and beverage outlets, entertainment, shows and hotels, etc. to attract more visitors to Macao.

Chart 1.1 Correlation between economic performance and tourism

Source: GU, X and Tam, P.S. (2011), "Casino taxation in Macao: an economic perspective", *Journal of Gambling Studies*, Vol. 27.

Table 1.4 Services trade, 2007-11

(US\$ million)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|---------------|---------------|---------------|---------------|------------------|
| Exports | 14,202 | 17,759 | 18,821 | 28,700 | 39,783 |
| Transportation | 473 | 446 | 351 | 500 | 598 |
| Travel | 13,405 | 16,947 | 18,142 | 27,805 | 38,451 |
| Other services | 324 | 365 | 328 | 398 | 734 |
| Communications | 89 | 98 | 73 | 93 | 81 |
| Insurance | 23 | 20 | 18 | 31 | 37 |
| Financial | 83 | 66 | 82 | 108 | 137 |
| Other business services | 129 | 182 | 155 | 166 | 479 ^a |
| Imports | 4,482 | 5,681 | 4,944 | 7,357 | 10,349 |
| Transportation | 307 | 281 | 237 | 301 | 379 |
| Travel | 695 | 828 | 915 | 1,154 | 1,376 |
| Other services | 3,480 | 4,572 | 3,792 | 5,902 | 8,594 |
| Communications | 57 | 65 | 63 | 54 | 45 |
| Construction | 0 | 0 | 0 | 149 | 305 |
| Insurance | 129 | 101 | 78 | 93 | 106 |
| Financial | 26 | 26 | 33 | 47 | 41 |
| Computer and information | 46 | 42 | 39 | 36 | 40 |
| Royalties and license fees | 45 | 102 | 122 | 183 | 168 |
| Other business services | 3,119 | 4,159 | 3,364 | 5,193 | 7,658 |
| Government, n.i.e. | 58 | 77 | 94 | 147 | 231 |

a The authorities indicate that merchandising services (e.g. business services for offshore activities) was first collected and compiled in the services export statistics in 2011.

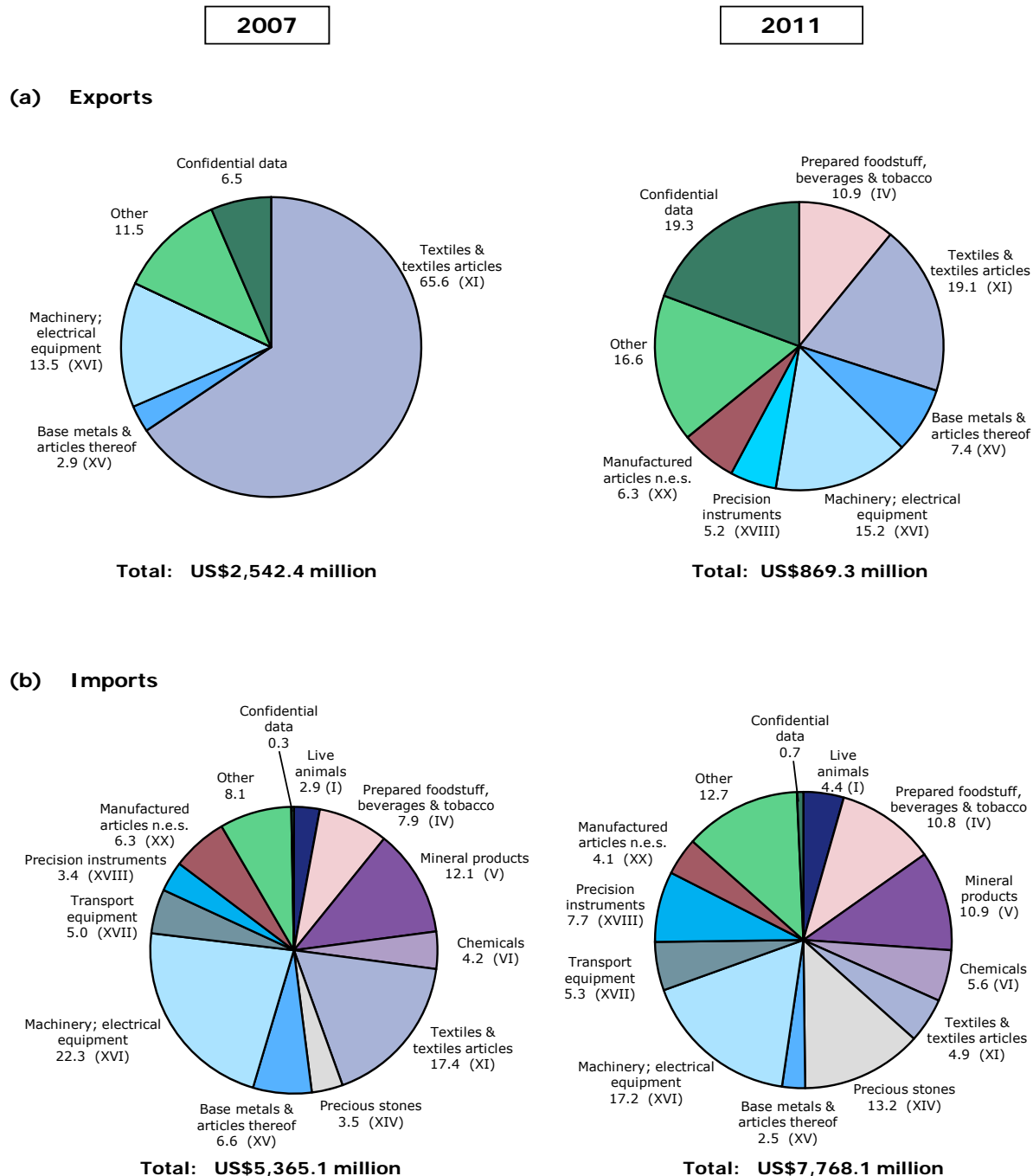
Source: Information provided by the authorities of Macao, China.

1.19. During the period under review, merchandise trade deficits widened as the manufacturing sector continued to shrink. Total merchandise exports decreased sharply, to US\$869.3 million in 2011, about one third of the level in 2007 (US\$2,542.4 million) due to the significant contraction in textile exports (Table A1.1). Soon after the expiry of the Agreement on Textiles and Clothing (ATC) in 2007, exports of textiles and garment products, which had a dominant share in MSAR's manufacturing (about 67% for both outputs and total merchandise exports in 2007), began to decline at double-digit rates. Consequently, the number of economic operators engaged in merchandise trade business decreased sharply; for certain products, less than three economic

operators remain in business. Data for such trade is not disclosed to the public without consent from these traders, to protect their commercial confidentiality in accordance with relevant provisions.¹³ The share of non-disclosed "confidential" statistics accounted for about 19% of total exports in 2011 (Chart 1.2).

Chart 1.2 Product composition of merchandise trade by HS section, 2007 and 2011

%



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

Source: WTO calculations based on data provided by the authorities of Macao, China.

¹³ Article 8, the Governor's Decision No. 242/GM/99. Viewed at: <http://images.io.gov.mo/bo/i/99/47/ds-242-99.pdf> [in Chinese and Portuguese].

1.20. Machinery and electronic equipment accounted for 15% of total exports in 2011; 16.6% of total exports in 2011 were categorized as "other". The authorities note that products categorized as "other" include: articles for casinos, electrical and electronic components and parts for electro-technical use, glass and glassware, travel goods, handbags and related products. Exports of processed foods, beverages and tobacco rose to 11% from a negligible share in 2007; this growth partly mirrored the development of processing trade in Macao SAR under the CEPA (section 1.3.2). Precision instruments accounted for 5.2% of total merchandise exports in 2011, which was partially attributed to the growth of re-exports.¹⁴ Though the absolute value is small, non-textile products grew by 29.3% on a year-on-year basis in the first five months of 2012.¹⁵

1.21. Re-exports have become the dominant part of total merchandise exports since the first quarter of 2009, when they accounted for 53.7% of the total; in the first half of 2012, this share grew to 69.3%. The decline in merchandise exports stopped in the fourth quarter of 2011, for the first time during the review period, mainly because of a 23.0% growth of re-exports. The authorities indicate that the growth in re-exports was attributed to a trend of switching transit trade to re-exports, as the latter has a simpler customs procedure. This also reflected closer economic ties with neighbouring economies, such as Hong Kong SAR: when Macao SAR was developing its retail trade in, *inter alia*, watches, clocks, and jewellery, investment from Hong Kong SAR in these retail outlets increased considerably, and export and re-export of these products have become much more frequent.

1.22. The rapid growth of merchandise imports by Macao SAR during the period under review reflected expanding demand as well as its declining manufacturing sector (Table A1.1). Imports of manufactures accounted for the largest share of merchandise imports (Chart 1.2). The authorities note that manufacturing imports include "capital goods", such as casino equipment, office machinery, buses, and personal electronic gadgets. During the review period, imports of luxury consumer goods, in particular jewellery, watches, and handbags, increased markedly at double-digit rates.¹⁶ Imports of precious stones accounted for 13.2% of total merchandise imports in 2011 (up from 3.5% in 2007). The share of agricultural product imports (to total merchandise imports) also grew, from 10.8% in 2007 to 15.2% in 2011, partly reflecting the increase in income and prices of imported food. The authorities also indicate that the significant drop in the share of textiles and clothing in total imports (from 17.4% in 2007 to 4.9% in 2011) was due to the sharp contraction of textile manufacturing: less raw materials and semi-manufactured textiles and clothing goods were imported than before the expiry of the ATC.

1.3.2 Direction of trade

1.23. China remained the MSAR's largest source of merchandise imports but its share decreased from 43% in 2007 to 31% in 2011 (Chart 1.3); the value of total imports from China in 2011, compared with 2007, remained much the same. The decrease in proportion of imports from China mirrored the growth of imports from other countries and regions (Table A1.2). Imports from Europe expanded during the review period; the share of EU27 increased from 15.7% in 2007 to 24.9% in 2011 while the share of imports from Switzerland rose from 2.3% to 7.2%. This significant growth of imports from the EU and Switzerland reflected increasing local demand for high-end consumer goods such as watches, clocks, and jewellery.

1.24. Major markets for merchandise exports are Hong Kong SAR, China, the United States, and the EU (Chart 1.3, Table A1.3). With the rapid increase in re-exports, Hong Kong SAR has become the top destination of the MSAR's merchandise exports; the share reached 44.6% in 2011, up from 13.1% in 2007. The share of the United States as an export destination for MSAR's merchandise goods dropped from 40.6% in 2007 to 8% in 2011, while the EU's share shrank from 18% to 5.5%. In addition to the disappearance of export markets for textiles after 2008, the significant drop in the share of merchandise exports to the United States and the EU was attributed to the decreasing demand of the two economies as a result of the recent global financial crisis.

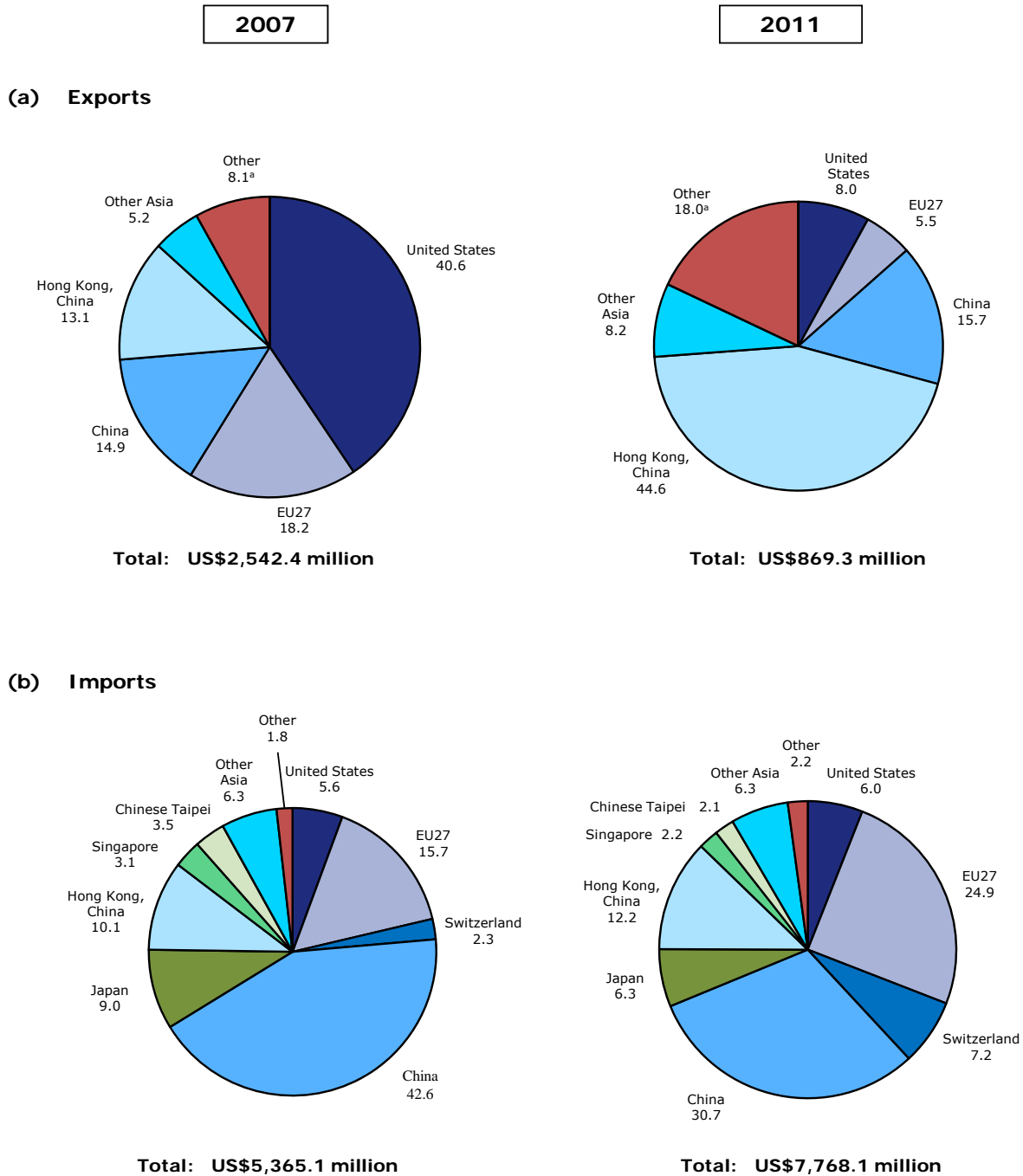
¹⁴ AMCM (2013).

¹⁵ AMCM (2011, 2012b).

¹⁶ DSEC, *Macao Economic Bulletin*, various issues.

Chart 1.3 Direction of merchandise trade, 2007 and 2011

%



a Also including confidential data not being published.

Source: WTO calculations based on data provided by the authorities of Macao, China.

1.25. Since 2004, Macao SAR has established closer ties with China through the signing of the Closer Economic Partnership Arrangement (CEPA) (Chapter 2.4.3). As Macao SAR is a small economy with few restrictions on imports and investments, CEPA's impact was expected to be seen more on the export side. CEPA offers market opportunities for the MSAR's business as well as chances for foreign investors to invest and conduct business in the MSAR so that they may enter China's market under preferential conditions.

1.26. Merchandise exports to China under the CEPA, where "Macao Origin" goods may enter China's market with zero tariffs, have increased markedly since 2009 (Table 1.5); total goods

exports under CEPA reached MOP 85.19 million in 2011, compared with MOP 38.81 million in 2009 and MOP 27.87 million in 2007. The CEPA may also provide MSAR businesses with opportunities to develop new manufacturing, in particular processing industries. It appears that this zero-tariff treatment of "Macao Origin" goods motivates foreign enterprises to invest in the manufacturing sectors in Macao SAR.¹⁷ Coffee manufacturing, plastic articles, and copper articles are newly developed processing industries (Table 1.5). The CEPA may also help to reverse the continuous contraction of the textile sector, as exports of textile and clothing under the CEPA have increased significantly since 2010. The authorities indicate that growing textile exports under the CEPA will foster the development of a high value-added textile and clothing sector.

Table 1.5 Merchandise exports from Macao SAR to China under CEPA, 2007-11

(MOP)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Coffee | 26,364 | 48,096 | 372,862 | 366,180 | 1,483,073 |
| Food | 0 | 0 | 21,790 | 47,700 | 460,636 |
| Inks | 614,126 | 478,196 | 946,179 | 792,880 | 1,684,377 |
| Plastic articles | 287,112 | 94,094 | 2,260,260 | 3,876,511 | 1,847,624 |
| Cement | 0 | 0 | 495,936 | 3,707,568 | 425,412 |
| Textiles and clothing articles | 5,870,448 | 1,608,134 | 1,408,122 | 8,027,837 | 19,674,618 |
| Footwear | 13,882,417 | 0 | 0 | 0 | 0 |
| Copper articles | 3,742,946 | 8,293,243 | 17,760,693 | 31,470,233 | 49,719,205 |
| Stamps | 2,466,700 | 4,337,790 | 6,373,424 | 14,844,800 | 9,059,500 |
| Other products | 977,105 | 942,956 | 9,170,352 | 1,844,328 | 836,714 |
| Total | 27,867,218 | 15,802,509 | 38,809,618 | 64,978,037 | 85,191,159 |

Source: Information provided by the authorities of Macao, China.

1.27. Macao SAR's major services export markets are within the region, including China, Hong Kong SAR, Chinese Taipei, and Japan. China and Hong Kong SAR together accounted for more than 80% of visitor arrivals (Table 4.7). Visitor arrivals from outside China, Hong Kong SAR, and Chinese Taipei grew 6.7% in the first quarter of 2012, while those from China grew by 14.9%, Hong Kong SAR dropped by 3.3%, and Chinese Taipei dropped by 9.3% on a year-on-year basis.¹⁸ Visitors from China have been facilitated by the Individual Traveller Scheme (ITS) under the CEPA, which has had the most profound effect on the MSAR's economy through its influence on services exports. By the end of 2011, 24% of total visitor arrivals to Macao SAR were under the ITS. The authorities note that most ITS visitors were same-day travellers coming from neighbouring Chinese provinces such as Guangdong and Fujian.

1.4 Foreign direct investment

1.28. During the period under review, Macao SAR maintained a positive inflow of FDI each year (Table 1.6 Inbound FDI flows to Macao, China, 2007-11). The stock of total FDI into the MSAR increased from US\$9.1 billion in 2007 to US\$14.9 billion in 2011.

1.29. Hong Kong SAR has traditionally been the major origin of FDI into Macao SAR, in particular into the gaming sector. In 2011, FDI into the gaming sector was a negative flow of US\$580 million; the FDI flow from Hong Kong SAR was an outflow of US\$1,157 million. The authorities indicate that this sudden reversal of the FDI from Hong Kong SAR probably reflected the recent ownership change in one of the six gaming concessionaries/sub-concessionaries.

1.30. During the review period, more than half of the total FDI into the MSAR was in the gaming sector, demonstrating the MSAR's comparative advantage in this sector, and its high profit margin.¹⁹ The second largest FDI recipient was wholesale and retail business, which may reflect the recent growth of non-gaming services as part of the Government's diversification efforts.

¹⁷ Transcripts of the Opening Speech by Chinese Premier Wen Jiabao on the third Ministerial Conference of the Forum for Cooperation and Development between China and Portuguese-speaking Countries. Viewed at: <http://www.fmprc.gov.cn/chn/qxh/zlb/ldzyjh/t768895.htm> [in Chinese, 05.10.12].

¹⁸ DSEC online information, "Visitor Arrivals". Viewed at: <http://www.dsec.gov.mo/getAttachment/3598f7fe-44ae-4192-8d17-7622cb08f0a6/EMVFR2012Q1.aspx?disposition=attachment> [22.10.12].

¹⁹ Platinum Broking (2012).

Notably, there was a surge of FDI in the cultural and recreational sector in 2011, recorded at US\$531 million (Table 1.6).

Table 1.6 Inbound FDI flows to Macao, China, 2007-11

(US\$ million)

| Industry/Origin | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|----------------|----------------|--------------|----------------|--------------|
| Non-financial sector | 1,951.9 | 1,849.1 | 712.5 | 2,562.4 | 447.2 |
| Manufacturing | -1.1 | 15.3 | -27.7 | 26.1 | -10.6 |
| Construction | 322.0 | 80.4 | 104.8 | 162.3 | 28.5 |
| Wholesale & retail | 414.7 | 51.0 | 204.9 | 381.2 | 400.5 |
| Hotel & restaurants | -129.0 | -10.3 | 17.3 | 26.4 | 51.3 |
| Transports, storage & communication | 86.5 | 0.5 | 106.0 | 17.7 | 27.1 |
| Gaming | 1,248.3 | 1,708.8 | 327.0 | 1,947.8 | -580.3 |
| Cultural, recreational & other services | 10.5 | 3.5 | -19.8 | 0.9 | 530.7 |
| Financial sector | 353.1 | 754.0 | 144.7 | 264.1 | 201.0 |
| Banks and securities | 319.8 | 685.6 | 118.2 | 191.6 | 233.6 |
| Insurance | 33.4 | 68.3 | 26.5 | 72.5 | -32.6 |
| Total | 2,305.0 | 2,603.1 | 857.3 | 2,826.5 | 648.2 |
| Hong Kong SAR | 785.9 | 510.7 | 833.8 | 1,174.9 | -1,157.4 |
| United States | 335.7 | 716.0 | -275.5 | 683.6 | 418.5 |
| Cayman Islands | 678.0 | 305.3 | 52.1 | 673.9 | 198.3 |
| China | 418.5 | 704.6 | 120.2 | 163.4 | 286.1 |
| British Virgin Islands | -8.8 | 137.6 | -14.1 | -39.0 | 1,052.6 |
| Others | 95.8 | 229.0 | 140.8 | 169.9 | -149.8 |

Source: Information provided by the authorities of Macao, China.

1.31. The United States, Hong Kong SAR, and China are traditionally main sources of FDI into Macao SAR. FDI from the United States and China dropped significantly in 2009 reflecting the impact of the global financial crisis; however, the flow from the United States has reverted back to almost pre-crisis level, indicating that investment projects on the gaming concessions has resumed. Among six casino concessionaires/sub-concessionaries, two are U.S.-invested companies.

1.5 Economic outlook

1.32. As a small open economy, Macao SAR's future growth is strongly influenced by external demand in its trading partners. Given that international organizations including the IMF have lowered growth forecasts for the East Asian region, Macao SAR is expected to "deviate from the remarkably high growth experienced in preceding years".²⁰ The AMCM estimates that the economy grew, in real terms, by 9.0% in 2012, down from 21.9% in 2011. The AMCM also anticipates single-digit growth in 2013.²¹

1.33. According to the Macao Monetary Authority, domestic demand will become a driving force for economic growth. Strong domestic demand was underpinned by large-scale public infrastructure construction, and privately funded construction of tourism-related facilities. As a result, job creation and household income growth prospects are favourable. Due to strong local demand, inflation forecast is unlikely to deviate from 6% in the near future.²²

1.34. Services exports, in particular tourism exports, are expected to remain a major contributor to MSAR's trade surplus. Subject to a slow-down in MSAR's major markets, services exports are estimated to grow more slowly.

²⁰ AMCM (2013).

²¹ AMCM considers that MSAR's economy has a high base for comparison (when calculating growth rate) after the strong growth in the last a few years.

²² AMCM (2013).

2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.1 General constitutional and legal framework

2.1. Macao, China became a Special Administrative Region of the People's Republic of China (Macao SAR or the MSAR) on 20 December 1999. The Basic Law, which has constitutional value, guarantees Macao SAR's autonomy, with independent executive, legislative, and judicial powers. In accordance with the Basic Law, Macao SAR maintains an independent taxation system, and retains its status as a free port and a separate customs territory. The Macao pataca remains the legal currency. Since the previous Review in 2007, there has been no significant change to Macao SAR's Constitutional and legal framework.¹

2.2. The head of Government is the Chief Executive, who has policy-making and executive powers. The Chief Executive appoints the Executive Council of between 7 and 11 members to assist in policy-making. The Government, the executive body of Macao SAR, is responsible for formulating and implementing policies, conducting administrative affairs and external relations, as authorized by the Central People's Government of China under the Basic Law, drawing up and introducing budgets and final accounts, and drafting bills and laws. The Legislative Assembly is the legislative organ, responsible for general law-making. Laws passed by the Legislative Assembly take effect after they have been signed and promulgated by the Chief Executive. The courts of Macao SAR exercise judicial power independently. Court judges are appointed by the Chief Executive on the recommendation of an independent commission composed of one local judge, one lawyer and five members of the community. Article 87 of the Basic Law stipulates that judges are chosen based on their professional qualifications, and qualified judges of foreign nationality may also be appointed.

2.2 Trade policy formulation and implementation

2.3. In accordance with the Basic Law and under the "one country, two systems" principle, Macao SAR has a high degree of autonomy in setting trade policies. Under the Basic Law, Macao SAR maintains the status of a free port, pursues a policy of free trade, and safeguards the free movement of goods, intangible assets, and capital (Articles 110 and 111).

2.4. As a separate customs territory, Macao SAR may, on its own, maintain and develop relations and conclude and implement agreements with foreign states and regions in fields such as economic, trade, financial and monetary, shipping, communications, tourism, cultural, science and technology, and sports. Macao SAR has maintained, for example, a separate status under the name Macao, China in 10 organizations, notably the WTO and UNESCO.²

2.5. Trade policies are formulated by the Secretary for Economy and Finance (SEF), who is appointed by the Chief Executive. The SEF is assisted by a number of bodies and funds, including the Macao Economic Services, the Financial Services Bureau, the Statistics and Census Bureau, the Gaming Inspection and Coordination Bureau, the Industrial and Commercial Development Fund, the Macao Trade and Investment Promotion Institute, the Macao Monetary Authority, and the Consumer Council.

2.6. The Macao Economic Services (MES) continues to be the main agency advising and assisting the SEF, in coordinating and implementing policies on trade and the economy. It is mandated, *inter alia*, to: cooperate in the planning of economic policies and assist in the development of economic activities; promote and maintain a balanced and non-discriminatory economic environment; administer foreign trade regulations; issue required licences; plan and coordinate Macao SAR's participation and activities in international and regional economic forums; assist in the drafting and implementation of policies governing intellectual property; implement the

¹ For details of the Constitutional and legal framework, please refer to WTO (2007).

² These 10 international organizations are: the World Trade Organization (WTO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Maritime Organization (IMO), the World Meteorological Organization (WMO), the World Tourism Organization (UNWTO), the World Health Organization Regional Committee for the Western Pacific, the World Customs Organization (WCO), the Asia Pacific Telecommunity (APT), the Asia and Pacific Development Centre (APDC), and the United Nations Economic and Social Commission in Asia and the Pacific (ESCAP). Macao SAR remains a guest economy in the APEC, and it is not a member of the financial institutions such as the IMF or ADB.

consumption tax regulations; promote the development of the convention and exhibition industry; as well as manage foreign trade under quota for HCFCs in accordance with the Montreal Protocol.³

2.7. Representatives from the private sector, independent institutions, or bodies such as trade associations, and academic institutions, provide inputs into policy-making and carry out assessments of trade policies. The private sector may express its views on trade policy to the Government through a range of communication channels, comprising the legislature; media interviews and editorials; bilateral meetings; and public consultations. In 2011, Macao SAR issued its Chief Executive's Decision on the Standard Guidelines on Public Policy Consultations, providing opportunities and timeframes for interested parties to comment on the proposed introduction or amendment of policies or legislation.⁴

2.8. In descending order of importance, the Basic Law is followed by laws, decree-laws, administrative regulations, orders, and executive orders governing all fields, including trade. The Chief Executive may issue administrative regulations, executive orders, and decisions in accordance with laws or decree-laws. The main legislation on international trade remains Law No.7/2003, which provides the general principles of foreign trade and mechanisms for the import, export, and transit to/from Macao SAR. Since the previous Review, Macao SAR has issued/amended/revised certain legislation (Table 2.1). Table A2.1 is a consolidation of major trade and investment-related legislation.

Table 2.1 Main trade and investment-related legislation issued/amended/revised since 2007

| Subject | Date | Legislation | Content |
|---|------------|---|--|
| Foreign trade | 10.08.2009 | Law No. 16/2009 - Amendments to Commercial Code | Commercial Code amendments |
| | 03.01.2012 | Chief Executive's Decision No. 452/2011 | Competent public authorities responsible for licensing, goods exempted from control, and goods subject to sanitary inspection. |
| | 12.03.2012 | Chief Executive's Decision No.45/2012 - Amendments to Chief Executive Decision No. 452/2011 | The amount of tobacco products that an individual is allowed to bring to the MSAR was reduced |
| Customs clearance | 10.08.2009 | Law No. 17/2009 | Law prohibiting the illicit production, supply and consumption of narcotic drugs and psychotropic substances. |
| | 23.11.2009 | Chief Executive's Decision No. 441/2009 | Stipulation on the use of ATA carnets for temporary import and export |
| Import prohibitions and restrictions | 09.11.2009 | Chief Executive's Decision No. 425/2009 | Import quotas for HCFCs substances |
| Standards and technical requirements | 30.01.2012 | Administrative Regulation No. 1/2012 | Gas emission standards of new imported vehicles |
| | 06.12.2010 | Chief Executive's Decision No. 356/2010 | Approved the tables of parameters of gas pollutant emissions, which substituted Tables I and II of Annex II of Administrative Regulation No.1/2008 |
| | 11.02.2008 | Administrative Regulation No. 1/2008 | Gas pollutants emission limits for new imported motorcycles |
| | 07.08.2007 | Microbiological Guidelines for Ready-to-eat Food (SAL 015-2007) | Microbiological guidelines for ready-to-eat food |
| Sanitary and phytosanitary requirements | 31.12.2007 | Chief Executive's Decision No. 341/2007 | Temporary importation suspension of bovine meat products |
| Labelling requirements | 11.01.2010 | Chief Executive's Decision No. 556/2009 | Regulation on food additives |
| Intellectual property rights protection | 10.04.2012 | Law No. 5/2012 | Amendments to the Decree-Law No.43/99/M regulating the protection of copyright and related rights |

³ MES online information. Viewed at: <http://www.economia.gov.mo> [02/04/2012].

⁴ Chief Executive's Decision No. 224/2011 of 15 August 2011.

| Subject | Date | Legislation | Content |
|--------------------|------------|---|---|
| Telecommunications | 30.12.2011 | Administrative Regulation No. 41/2011 | Regulation on the installation and operation of the fixed public telecommunications network |
| Air transportation | 11.02.2011 | Executive Order No.8/2011 | Approved the Air Navigation Regulation |
| Tourism | 18.07.2011 | Administrative Regulation No. 18/2011 | Regulation on the organization and operation of Macau Government Tourist Office (MGTO) |
| Foreign investment | 10.08.2009 | Law No. 16/2009 – Amendments to Commercial Code | Regulating commercial activities and commercial contracts |

Source: Information provided by the authorities of Macao, China.

2.9. In 2011, the Legal Reform Office merged with the International Law Office, and became the Legal Reform and International Law Affairs Bureau. The Bureau is responsible for providing legal assistance on international law issues, and mutual legal assistance of international and regional nature.

2.10. International law and applicable international treaties to which Macao SAR is a signatory integrate directly into the legal system of Macao SAR.⁵ In case of conflict between international and domestic laws, applicable international agreements take precedence. The application to Macao SAR 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 SAR, after seeking the views of the MSAR Government (Article 138 of the Basic Law).

2.3 Trade policy objectives

2.11. Macao SAR, a small economy, continues to pursue an open economic policy. It remains a free port that applies a zero tariff on all imports (Chapter 3.2). According to the authorities, Macao SAR does not implement any trade instruments that hinder trade or influence the flow of goods and services. Macao SAR only applies import/export prohibitions and licensing for health, safety, security, or environmental-protection reasons, to comply with its international obligations.

2.12. The Government is trying to diversify its economy, and develop the city into a world tourism and leisure centre, as well as a regional commerce and trade services platform. The authorities state that promoting economic diversification and increasing regional cooperation are top priorities. The Government wishes to enhance the steady development of the tourism and gaming industry while regulating the scale of gaming development, and to boost the development of the convention and exhibitions industry, cultural and creative industries, traditional Chinese medicine industry, and commerce and trade services.

2.4 Trade agreements and arrangements

2.4.1 Participation in the WTO

2.13. Macao, China, an original Member of the WTO, views the WTO's basic principles as important elements for a stable trading environment. In its schedule of commitments on goods, Macao, China bound 27.9% of its tariff lines at zero (Chapter 3.2).⁶ Thus, 72.1% of its tariff lines are unbound, although all the applied tariffs are zero. The authorities state that Macao, China is considering binding more tariff lines as a contribution to a successful conclusion of the Doha Round negotiations, provided that mutually satisfactory results can be achieved. Macao, China bound at zero all products covered by the Information Technology Agreement (ITA) in 1997. Under the Pharmaceutical Agreement, Macao SAR's tariffs on pharmaceutical products are also bound at

⁵ Regarding the WTO Agreements, the Republic of Portugal (on behalf of Macao), 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 27 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.

⁶ WTO online information. Viewed at: http://stat.wto.org/TariffProfiles/MO_e.htm [03/04/12].

zero. As a result of the expansion of the product coverage of the Agreement, Macao SAR informed the WTO that additional pharmaceutical products as contained in Annexes I-IV were bound at zero from October 2007 and January 2011, respectively.

2.14. Macao, China supports the multilateral trading system. The authorities state that advancing the WTO and strengthening its role in sustaining trade liberalization are key to driving international trade and economic development, particularly for the developing and least developed countries (LDCs). The authorities believe that a successful conclusion of the Doha Round lies with the political will and positive engagement from all Members in demonstrating more flexibility to bridge differences, with due consideration to the needs and interests of developing Members and LDCs. The Government is to continue to create an enabling investment environment, by increasing transparency in trade policies with regard to the principles of the multilateral trading system.⁷

2.15. So far Macao, China has not participated in any dispute settlement proceeding at the WTO, as complainant, respondent, or third party. To date, Macao, China has no outstanding notification in the WTO Central Registry of Notifications (Table 2.2).

Table 2.2 Selected notifications under the WTO Agreements, March 2007 to February 2013

| WTO Agreement | Requirement/content | WTO document and date |
|--|---|---|
| Agreement on Agriculture | | |
| Article 18.2 | Domestic support | G/AG/N/MAC/30, 27/03/2012 G/AG/N/MAC/28, 12/04/2011 G/AG/N/MAC/26, 10/02/2010 G/AG/N/MAC/25, 31/03/2009 G/AG/N/MAC/23, 11/04/2008 G/AG/N/MAC/21, 21/03/2007 |
| Article 10 and 18.2 | Export subsidies | G/AG/N/MAC/31, 28/03/2012 G/AG/N/MAC/29, 12/04/2011 G/AG/N/MAC/27, 10/02/2010 G/AG/N/MAC/24, 31/03/2009 G/AG/N/MAC/22, 14/04/2008 G/AG/N/MAC/20, 21/03/2007 |
| GATS | | |
| Article V: 7(a) | Regional trade agreements | S/C/N/265/Add.6, 17/09/2012 S/C/N/265/Add.5, 09/03/2012 S/C/N/265/Add.4, 17/12/2010 S/C/N/265/Add.3, 07/08/2009 S/C/N/265/Add.2, 26/01/2009 S/C/N/265/Add.1, 21/12/2007 |
| GATT 1994 Article XXIV: 7(a) (Free-Trade Areas) | | |
| Article XXIV: 7(a) (Free-Trade Areas) | CEPA | WT/REG163/N/1/Add.6, 17/09/2012 WT/REG163/N/1/Add.5, 09/03/2012 WT/REG163/N/1/Add.4, 17/12/2010 WT/REG163/N/1/Add.3, 07/08/2009 WT/REG163/N/1/Add.2, 26/01/2009 WT/REG163/N/1/Add.1, 21/12/2007 |
| GATT 1994 Article XXVIII: 5 (Market Access) | | |
| Article XXVIII: 5 | Notification of Schedule LXXXIX | G/MA/275, 09/01/2012 G/MA/230, 09/01/2009 |
| Agreement on Implementation of GATT Article VI (Anti-dumping) | | |
| Article 16.4 | Semi-annual reports on anti-dumping actions taken during the period | G/ADP/N/188/Add.1/Rev.1, 23/11/2010 G/ADP/N/188/Add.1, 16/10/2009 G/ADP/N/180/Add.1/Rev.2, 23/11/2010 G/ADP/N/180/Add.1, 27/04/2009 G/ADP/N/173/Add.1/Rev.2, 23/11/2010 G/ADP/N/173/Add.1, 21/10/2008 G/ADP/N/166/Add.1/Rev.3, 23/11/2010 G/ADP/N/158/Add.1/Rev.4, 23/11/2010 G/ADP/N/158/Add.1, 11/10/2007 G/ADP/N/153/Add.1/Rev.3, 23/11/2010 G/ADP/N/153/Add.1, 17/04/2007 |
| Article 16.5 | Notifications on anti-dumping actions | G/ADP/N/193/MAC, 09/02/2010 |

⁷ MES online information. Viewed at: http://www.economia.gov.mo/web/DSE/public?nfpb=true&pageLabel=Pg_EETR_IETO_WTO&locale=en_US [03/04/12].

| WTO Agreement | Requirement/content | WTO document and date |
|---|--|---|
| Understanding on Interpretation of GATT Article XVII (State trading enterprises) | | |
| Paragraph 1 | State trading enterprises | G/STR/N/14/MAC, 11/04/2012 G/STR/N/13/MAC, 09/02/2010 G/STR/N/12/MAC, 16/04/2008 G/STR/N/11/MAC/Suppl.1, 21/03/2007 |
| Agreement on Import Licensing | | |
| Articles 1.4 (a) and 8.2 (b) | Notification of laws and regulations on import licensing | G/LIC/N/1/MAC/4, 20/06/2012 G/LIC/N/1/MAC/3, 10/12/2007 |
| Article 7.3 | Questionnaire on import licensing | G/LIC/N/3/MAC/15, 19/10/2012 G/LIC/N/3/MAC/14, 07/10/2011 G/LIC/N/3/MAC/13/Rev.1, 02/12/2010 G/LIC/N/3/MAC/13, 15/09/2010 G/LIC/N/3/MAC/12, 06/10/2009 G/LIC/N/3/MAC/11, 14/10/2008 G/LIC/N/3/MAC/10, 28/09/2007 |
| Quantitative restrictions (G/L/59 and G/L/59/Rev.1) | | |
| | Notifications of quantitative restrictions | G/MA/QR/N/MAC/1, 8/11/2012 G/MA/NTM/QR/1/Add.12, 03/05/2011 G/MA/NTM/QR/1/Add.11, 11/04/2008 |
| Agreement on Subsidies and Countervailing Measures | | |
| Article 25.1 | Notification of subsidies | G/SCM/N/220/MAC, 05/10/2011 G/SCM/N/186/MAC/Suppl.1, 04/06/2010 G/SCM/N/186/MAC, 05/05/2009 G/SCM/N/155/MAC/Add.1, 16/04/2008 G/SCM/N/155/MAC, 21/03/2007 |
| Article 25.11 | Countervailing duty actions taken | G/SCM/N/195/Add.1, 14/10/2009 G/SCM/N/185/Add.1/Rev.2, 02/11/2010 G/SCM/N/185/Add.1, 27/04/2009 G/SCM/N/178/Add.1/Rev.1, 28/04/2009 G/SCM/N/178/Add.1, 21/10/2008 G/SCM/N/170/Add.1/Rev.2, 28/04/2009 G/SCM/N/170/Add.1, 24/04/2008 G/SCM/N/162/Add.1/Rev.3, 28/04/2009 G/SCM/N/162/Add.1, 11/10/2007 G/SCM/N/153/Add.1/Rev.3, 02/11/2010 G/SCM/N/153/Add.1, 18/04/2007 |
| Article 25.11 and 25.12 | Notifications on countervailing actions | G/SCM/N/202/MAC, 09/02/2010 |
| Agreement on the Application of Sanitary and Phytosanitary Measures | | |
| Article 7 Annex B | Emergency measures | G/SPS/N/MAC/10, 03/10/2008 |
| Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) | | |
| Article 69 | Contact points | IP/N/3/Rev.10/Add.1, 16/06/2008 |

Source: WTO Secretariat.

2.4.2 Regional agreements

2.16. Macao SAR has been granted "guest economy" status in several APEC working groups. The guest economy status is extended every three years, and has been renewed until 2014. As a guest economy, Macao SAR may be invited by the Chair to respond to questions and participate in discussions in meetings, but may not take part in the decision-making process. Macao SAR participates in four working groups: the Industrial Science and Technology Working Group; the Small and Medium Enterprises Working Group; the Tourism Working Group; and the Transportation Working Group.⁸

2.17. Macao SAR does not participate in any plurilateral regional trade arrangements and, with the exception of Mainland China under the Closer Economic Partnership Arrangement (CEPA), all trading partners are treated on an MFN basis.

2.4.3 Bilateral agreements

2.18. In October 2003, Mainland China and Macao SAR signed the Closer Economic Partnership Arrangement (CEPA). It is based on the following principles: "one country, two systems"; the rules of the WTO; the needs of both sides to adjust and upgrade their industries and enterprises and to promote steady and sustained development; reciprocity and mutual benefits, complementarity

⁸ MES online information. Viewed at: http://www.economia.gov.mo/web/DSE/public?_nfpb=true&_pageLabel=Pg_EETR_IETO_APEC&locale=en_US [03/04/12].

with each other's advantages and joint prosperity; and progressive actions, i.e. dealing with easier subjects before the more difficult ones.⁹ The CEPA provides for phased liberalization in bilateral trade in goods, services, and trade and investment facilitation. Since 2003, nine supplements have been signed, the latest on 2 July 2012.

2.4.3.1 Trade in goods

2.19. Macao SAR applies a zero tariff on imports. From 1 January 2006 China applies zero tariffs on imported goods of Macao SAR origin, provided that the related rules of origin have been agreed and fulfilled. Rules of origin have been developed for 1,260 tariff lines including foodstuffs, chemicals, photographic products, textiles and clothing, metal products, machinery and electronic products, pharmaceutical products, plastic articles, stamps, optical parts, and accessories. To benefit from zero tariffs, goods exported to China must fulfil the rules of origin stipulated under the CEPA and accompanied by a CEPA Specific Certificate of Origin (CO). To qualify for this certificate, goods must be wholly produced in Macao SAR, or have undergone substantial transformation. The criteria for determining substantial transformation may include manufacturing or processing operations, change in tariff heading, value-added content, other criteria or mixed criteria (Chapter 3.3.1).

2.20. The CEPA stipulates that neither party shall apply non-tariff measures that are inconsistent with WTO rules to goods imported from, and originating in, the partner's territory; China will not apply tariff-rate quotas on goods originating in Macao SAR; neither party may apply anti-dumping measures or countervailing measures on goods imported from, and originating in, the partner's territory; safeguard measures may be adopted, after giving written notice, to temporarily suspend concessions on imports of the product concerned from the other party's territory. So far, Macao SAR has not adopted any safeguard measures.

2.21. The CEPA provides opportunities for Macao SAR to develop some processing industries. As a free port, goods imported from other countries enter Macao SAR with zero tariffs. If these goods go through substantial manufacturing or processing operations in Macao SAR, they may be claimed to have Macao origin and be exported to China's market duty free. Some processing industries have been developed in Macao SAR since the entry into force of the CEPA (Chapter 1.3.2). For example, the number of factories manufacturing chemical products, and food products and beverages, increased by 30.8% and 18.3% respectively, from 2007 to 2011. The authorities indicate that some new industries have also emerged, including green lighting products, spring mattresses, electric motorcycles, and solar technology.

2.22. On the other hand, although certain products may enter China's market duty free, there are no exports of these items under the CEPA for various reasons. The dominance of the services sector in the economy, and in particular the prosperous tourism and gaming sector, has led to increased production costs, including for land and labour (Chapter 4.3.6). This has squeezed the manufacturing sector: all of the MSAR's footwear factories have been closed down, and the export value of footwear to Mainland China has been zero since 2007. During the review period, the share of exports under the CEPA to total exports increased but remains low (1.22% in 2011, up from 0.14% in 2007) (Chapter 1.3.2). More efforts to diversify the economy are needed to realize the opportunities brought by the CEPA, and to achieve sustainable development of the economy.

2.23. Up to the end of May 2012, the MES received 2,114 applications for the CEPA certificate of origin, of which 2,083 were issued. Among them, 1,882 CEPA certificates of Macao origin have been used to export goods to China, while the rest were either cancelled or not used. A total of MOP 299.71 million goods were exported to China under the CEPA, with MOP 23.98 million tariff savings.

2.4.3.2 Services

2.24. In accordance with the CEPA, both partners must progressively reduce or eliminate existing restrictions on the others' services and service suppliers. The authorities state that Macao SAR, as one of the most open economies in the world, has insisted on maintaining minimal regulation in

⁹ In accordance with CEPA, both parties agree not to apply: Articles 15 and 16 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.

the services market to attract investors from abroad. Under CEPA, Macao SAR agreed not to impose new restrictive measures on China's suppliers in the services areas covered; the authorities stated that the CEPA contains most of the services sectors in Macao SAR, and the coverage largely outweighs the substance of Macao SAR's commitments to GATS.

2.25. Through the nine supplements to the CEPA, China has progressively expanded the coverage of services that qualify for preferential treatment as "Macao services supplier" to 48 service sectors (Table 2.3). After obtaining a Macao services supplier certificate, businesses from Macao SAR may enter China's market under preferential treatment. There are even fewer restrictions for conducting business in the Guangdong Province of China.¹⁰

Table 2.3 Services sectors and subsectors covered under CEPA

| Services | Services |
|---|---|
| 1. Legal | 25. Professionals qualification examinations |
| 2. Accounting | 26. Trade mark agency |
| 3. Construction and real estate (1) Professional services (2) Construction and related engineering services (3) Real estate services | 27. Patent agency |
| 4. Medical and dental | 28. Computer and the related services |
| 5. Advertising | 29. Market research |
| 6. Management consulting | 30. Services related to management consulting |
| 7. Convention and exhibition | 31. Public utility (including gas, heating, and water supply and drainage networks) |
| 8. Telecommunications | 32. Building-cleaning |
| 9. Audiovisual | 33. Photographic |
| 10. Distribution | 34. Printing |
| 11. Insurance | 35. Translation and interpretation |
| 12. Banking | 36. Environmental |
| 13. Securities and futures | 37. Social services |
| 14. Tourism (1) Hotels (including apartment buildings) and restaurants (2) Travel agency and tour operator | 38. Sporting |
| 15. Transport (road and maritime transport) (1) Maritime transport services (2) Road transport services | 39. Services incidental to mining |
| 16. Freight forwarding agency | 40. Related scientific and technical consulting |
| 17. Storage and warehousing | 41. Research and Development Services |
| 18. Logistics (including road transport, storage and warehousing, loading and unloading, value adding processing, packaging, delivery and related information and consultancy services for ordinary road freight; freight transport agency services within the Mainland; and the management and operation of logistics services through computer network) | 42. Other business services (including speciality design services, and commercial factoring services in Shenzhen and Guangzhou) |
| 19. Information technology | 43. Interdisciplinary research and experimental development services |
| 20. Job referral agency | 44. Services incidental to manufacturing |
| 21. Technical testing, analysis and product testing | 45. Library, archive, museum and other cultural services |
| 22. Job intermediary | 46. Individually owned stores ^a |
| 23. Cultural and recreational | 47. Education |
| 24. Air transport (including airport operation services (excluding cargo handling), airport management training and consultation services, air transport ground services, sales and marketing services for air transport, computer reservation system (CRS) services as well as aircraft repair and maintenance services) | 48. Rail transport |

a An individually owned store is a store owned by a natural person legally entitled to operate it, and duly registered in accordance with Mainland China's relevant rules and regulations.

Source: CEPA online information. Viewed at: http://www.cepa.gov.mo/cepaweb/front/eng/itemI_1_3.htm [03/04/12].

¹⁰ "Existing Provisions on Trade in Services under CEPA that involve the Province of Guangdong". Viewed at: http://www.cepa.gov.mo/cepaweb/front/eng/pdf/CEPA_GDe.pdf [11/09/2012].

2.26. As the economy is small and most enterprises in Macao SAR are SMEs, it remains difficult for Macao SAR's services suppliers to enter China's market, particularly in the financial services sector. So far, 429 Macao services supplier certificates have been issued, of which, 98 to freight-forwarding agencies, 62 to logistics services providers, and 53 to transport services providers. No certificates have been issued for banking, insurance, securities, and futures; according to the authorities, this is mainly due to the relatively high minimum capital requirement, as well as the development strategy of individual financial institutions.

2.27. Under the CEPA, to qualify as Macao services suppliers (excluding legal services)¹¹, natural persons must be permanent residents of Macao SAR, while juridical persons must be organized under the Commercial Code, Commercial Registry Code or other relevant laws of Macao SAR. So far, no foreign-invested businesses have applied for certificates as Macao services suppliers. Overseas companies, representative offices, or liaison offices, that are not registered and do not have a substantial business operation in Macao SAR, cannot be considered as Macao services suppliers. To be considered, foreign companies must have more than 50% of capital from Macao SAR, and any acquired or merged companies in Macao SAR must be engaged in a substantial business for a minimum of one year after such a merger or acquisition.

2.28. Macao services suppliers must comply with tax obligations, own or rent premises in Macao SAR for operation purposes, have more than 50% of employees being residents staying in Macao SAR without limit of stay and other persons permitted to reside in Macao SAR according to relevant regulations. In general, these services suppliers must have engaged in substantive business operations for at least three years. Exceptions include services suppliers providing construction and related engineering services, banking and other financial services, insurance and related services; these services suppliers must be registered in Macao SAR and have engaged in substantive business operations for five years or more. Exceptions also include services suppliers providing real estate services, for which there is no requirement as to the years of substantive business operation. To provide maritime transport services, 50% or more of the ships owned by Macao services suppliers (in terms of tonnage) must be registered in Macao SAR.

2.29. Businesses interested in obtaining Macao services supplier certificates must submit an application form (in Chinese or in both Chinese and Portuguese), which must be attested in Chinese by a notary officer recognized by the authorities of either party. The declaration must be stamped by China Legal Services (Macao). The MES issues the certificate, with a validity of two years, non-transferrable, and non-renewable; according to the authorities, circumstances change after two years of operation, so that at the end of the two-year period, interested businesses may reapply for a new certificate.

2.4.3.3 Trade and investment facilitation

2.30. Both parties to the CEPA agreed to promote trade and investment facilitation through greater transparency, standards conformity, and enhanced information exchange. In particular, the parties undertook various initiatives to promote mutual cooperation in 10 areas: trade and investment promotion; customs clearance facilitation; commodities inspection, inspection and quarantine of animals and plants, food safety, sanitary quarantine, certification, accreditation and standardization management; electronic business; transparency in laws and regulations; cooperation of SMEs; industrial cooperation; protection of intellectual property rights; cooperation on brand promotion; and cooperation on education.

2.31. In accordance with the CEPA, a Joint Steering Committee was established between Mainland China and Macao SAR to supervise the implementation of the CEPA, to resolve disputes that may arise, to interpret its provisions, and to draft additions or amendments. The Committee meets at least once a year, and may convene special meetings within 30 days, upon request by either party.

¹¹ The requirements for a Macao natural person to qualify to provide legal services in China vary, depending on the type of legal services.

2.4.4 Cooperation in the region

2.32. Under the umbrella of "one country, two systems", cooperation with Mainland China has various dimensions. Cooperation in the Pan-Pearl River Delta Region (PPRD) was officially launched with the signing of the PPRD Cooperation Framework Agreement in June 2004. The PPRD region, comprising nine provinces in Southern China (with more than 35% of China's total economic output), as well as Hong Kong SAR and Macao SAR, account for 20% of the area in China, and one third of its population. However, besides the framework agreement itself and six forums held with Macao SAR and other agreement members, it seems there are no detailed implementing measures for PPRD cooperation.

2.33. Among the nine provinces in the PPRD region, cooperation has been particularly close with Guangdong Province. Macao SAR borders Zhuhai, one of the first special economic zones in China and located in Guangdong Province. The Zhuhai-Macao Cross-Border Industrial Zone was the first joint programme with Guangdong Province, with the aim of enhancing the development of manufacturing, and serving as a hub of logistics, transit, and exhibitions. After becoming operational initially in October 2006, the Industrial Zone is being repositioned. As Macao SAR is developing into a regional tourism and leisure destination, the Zone is now targeting high-end logistics, transit trade, convention and exhibition industry, and service outsourcing. The authorities note that the industrial zone plays an important role in achieving Macao SAR's economic diversification, and is also beneficial to the economy by attracting investment from Mainland China and Portuguese-speaking countries.

2.34. Macao SAR's development was mentioned in the Outline Plan on the Reform and Development of the Pearl River Delta issued by China's National Development & Reform Commission (NDRC) in December 2008. In accordance with the Outline Plan, the central Government of China supports cooperation within the region to, *inter alia*, advance the development level of the services industry, promote Macao SAR's tourism to become a world tourism and leisure centre, improve the transportation infrastructure, pursue convergence in urban planning including rail transit networks, information networks, energy base networks, and urban water supply. The authorities note that other supporting policies include simplifying administrative procedures, supporting innovation of the enterprises and employment services, ensuring stable provision of energy, and improving market conditions; however, it is too soon to evaluate the effectiveness of these policies.

2.35. As underlined in China's 12th Five-Year Plan (promulgated in March 2011), Macao SAR aims to become a world tourism and leisure centre. To achieve this target, regional cooperation, in particular with Guangdong Province, is to be strengthened and Guangdong is designated as the "early and pilot implementation point" for the new liberalization measures under the CEPA. In March 2011, the Framework Agreement on Cooperation between Guangdong and Macao was signed. Major areas of cooperation include: joint development of Hengqin Island; synergistic development of industries, infrastructure and convenient border crossing; and improvement of social and public services.

2.36. Hengqin Island, which is three times the size of Macao SAR, is currently under the administration of Zhuhai, Guangdong Province. In 2009, the lease of a 1.09km² plot of land on the Island was granted to Macao SAR, for the new campus of the University of Macau, which is expected to be inaugurated in 2013. Macao SAR's laws will apply within the campus. Macao SAR is authorized to operate, together with Guangdong Province, on an industrial zone of 5km² on Hengqin. Hengqin Island will have a large collection of amusement parks, resorts, and convention and exhibition facilities, as well as a scientific and industrial park for traditional Chinese medicine, hence offering Macao SAR a good opportunity for economic diversification and regional cooperation. At the time of drafting this report, detailed policy measures for the Hengqin cooperation project have not been announced.

2.37. All banks in the MSAR are allowed to engage in offshore RMB business, i.e. they may carry out personal RMB business (since November 2004), RMB cross-border trade-settlement business (since December 2009), investment in China's interbank bond market (since August 2010), and investment in RMB bonds issued in Hong Kong SAR (since January 2011). The offshore RMB business has experienced exponential growth; the total volume of RMB cross-border trade

settlements in the MSAR grew ten-fold in 2011.¹² The development of RMB business has led to an increase in RMB deposits. At the end of April 2012, RMB deposits in the MSAR increased by 85.8% over the previous year, and accounted for 14.4% of total private-sector deposits with the local banking system (up from 9.4% over a year previously).¹³

2.38. Regional cooperation, including CEPA, is helping to strengthen Macao SAR's position as a services platform, and for its enterprises to capture business opportunities in China, Macao SAR, and overseas. Macao SAR is also intensifying its role as a trade and services platform between China and Portuguese-speaking countries, through economic and cultural cooperation, based on its historical ties with these countries.

2.4.5 GSP treatment

2.39. Some of Macao SAR's exports continue to benefit from preferential treatment under GSP schemes in Canada, the EU, and Switzerland (Table 2.4). Exports under the GSP are shrinking fast, and Macao SAR's exports of toys, footwear, and electronic products have stopped, as some are no longer produced in Macao SAR.

Table 2.4 Exports under GSP treatment, 2007-11

(US\$)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------------------|------------------|----------------|----------------|----------------|
| Footwear | 7,412,275 | 1,377,473 | 0 | 0 | 0 |
| EU | 7,412,275 | 1,377,473 | 0 | 0 | 0 |
| Saddlery and harnesses | 0 | 28,994 | 77,327 | 53,452 | 67,174 |
| Canada | 0 | 28,994 | 66,943 | 43,597 | 67,174 |
| EU | 0 | 0 | 10,384 | 9,855 | 0 |
| Other products (i.e., organic chemicals and gas masks) | 406,107 | 635,640 | 324,348 | 585,044 | 501,254 |
| Canada | 0 | 0 | 12,211 | 0 | 0 |
| EU | 269,431 | 342,765 | 219,129 | 270,195 | 322,673 |
| Switzerland | 136,677 | 292,875 | 93,008 | 314,850 | 178,581 |
| Total | 7,818,383 | 2,042,106 | 401,675 | 638,496 | 568,428 |
| Canada | 0 | 28,994 | 79,155 | 43,597 | 67,174 |
| EU | 7,681,706 | 1,720,237 | 229,512 | 280,050 | 322,673 |
| Switzerland | 136,677 | 292,875 | 93,008 | 314,850 | 178,581 |

Source: Macao Economic Services (MES).

2.5 Foreign investment regime

2.40. Macao SAR is a small open economy, and the Government aims to develop and diversify its economy through attracting foreign investment. The major legislation related to foreign investment in Macao SAR includes the Commercial Code, the Commercial Registration Code, and the Foreign Trade Law.

2.41. There are no restrictions or controls on foreign direct investment or the use of foreign capital in existing or newly established companies. There are no exchange restrictions on capital flows and no exchange controls. Macao SAR offers the same conditions to foreign and local investors with respect to the opening of a new business. Foreign firms and individuals are free to establish companies, branches, and representative offices without discrimination or unduly heavy regulation. There are no restrictions on the ownership of such establishments, and company directors are not required to be citizens of Macao SAR. However, the board of directors of locally incorporated banks should have a minimum of three members, at least two of which must reside in Macao SAR; the authorities state that the reason for this is to have directors accountable for the running of their business.

2.42. Macao SAR maintains a low and simple tax regime, and there are a number of tax incentives, which are the same for foreign and local investors (Chapter 3). In addition, the "One Stop Service", set up by the Macao Trade and Investment Promotion Institute (IPIM), provides

¹² Speech by Mr Anselmo Teng, Chairman of AMCM. Viewed at: http://www.amcm.gov.mo/cms_upload/general/press_release/pressrelease_enAttachment20120702181351.pdf [03.10.12].

¹³ AMCM (2012b), p.43.

assistance to investors to establish a business in Macao SAR. IPIM's Macao Business Service Centre (MBSC) also provides free office space for up to four months, and other facilities to reduce start-up costs for enterprises.

2.43. Macao SAR has signed bilateral investment treaties (BITs), double taxation avoidance treaties (DTTs), and Tax Information Exchange Agreements (TIEAs) with several countries (Table 2.5).

Table 2.5 BITs, DTTs and TIEAs

| Country/Region | Type | Date signed |
|----------------|-------------------------|-------------|
| Portugal | BIT | 17/05/2000 |
| Netherland | BIT | 22/05/2008 |
| Belgium | DTT | 19/06/2006 |
| Cape Verde | DTT | 15/11/2010 |
| China | DTT | 27/12/2003 |
| | Protocol (DTT) | 15/07/2009 |
| | Protocol (second) (DTT) | 26/04/2011 |
| Mozambique | DTT | 15/06/2007 |
| | Protocol (DTT) | 15/06/2007 |
| Portugal | DTT | 28/09/1999 |
| 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 |
| India | TIEA | 03/01/2012 |
| Norway | TIEA | 29/04/2011 |
| Sweden | TIEA | 29/04/2011 |
| Jamaica | TIEA | 05/10/2012 |

Source: Information provided by the authorities of Macao, China.

2.44. FDI inflow into Macao SAR, concentrated in the gaming industry (Chapter 1.4), has had a remarkable effect on the economy. FDI outflow has been low, and has been concentrated in Hong Kong SAR, China, and the British Virgin Islands. In recent years, the Government has introduced a series of policies and measures to foster the development of regional economic cooperation, and a number of investment projects have been initiated by Macao SAR enterprises in neighbouring regions, especially in China. Thus, further regional cooperation may increase FDI outflows from Macao SAR. If foreign investors take advantage of the opportunities provided under the CEPA and other regional cooperation initiatives to enter China's market, FDI inflows into Macao SAR will also increase.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Introduction

3.1. Macao SAR remains one of the most open economies in the world. During the review period, Macao SAR revised its consumption taxes, amended its Copyright and Related Rights Code, and introduced competition in certain sectors.

3.2. Macao SAR maintains few trade and investment restrictions. All applied tariffs are zero, with 28% of tariff lines bound at zero. Customs declarations are processed within 4 minutes, and customs clearance procedures are completed within 20 minutes, under normal circumstances. Non-tariff border measures are few, and import licensing has been maintained for reasons of health, safety, environment, and administration of consumption tax. As in the previous Review, Macao SAR has no instrument protecting domestic producers from entry of dumped or subsidized products, and there is no legislation on safeguards. Export licensing for textiles and garments is no longer compulsory as the textile export quota regime has been abolished.

3.3. Macao SAR does not establish its own standards but adopts prevailing international standards and technical requirements. Foreign testing results are accepted as a useful reference for licensing purposes. Currently two products, automobiles and telecommunications equipment, are subject to compulsory standards. Motor vehicles and engines whose emission do not meet EURO IV level have been banned from import since 15 January 2012.

3.4. Though the MSAR is not a contracting party, nor an observer to the Government Procurement Agreement, foreign presence in government procurement increased markedly during the period under review. For procurement contracts signed centrally by the Financial Service Bureau, foreign suppliers accounted for 27% in 2011, up from 9% in 2007.

3.5. Administrative fees charged at the border remain low. There are no fees for customs clearance, import or export licences (except import licences for CITES species). SPS inspection fees for agricultural and food products were suspended in 2008. Fees for intellectual property rights administration remained low and unchanged during the review period.

3.6. Macao SAR maintains a simple tax structure and low tax rates. The largest contributor to tax revenue, by far, is direct tax on gaming, which accounted for 77% of total revenues in 2011. Macao SAR also offers tax incentives, including profit tax exemption/reduction to investors. In 2011, the forgone profit tax from the gaming sector was estimated at MOP 2,768 million, up from MOP 1,423 million in 2010. New purchases of environment-friendly motor vehicles are exempted from motor vehicle taxes.

3.7. Non-tax incentives are also provided, mainly in the form of interest subsidies. Upon approval, bank loan interest subsidies are offered to all locally registered enterprises; and the SME Aid Scheme and the SME Credit Guarantee Scheme are available for SMEs with more than 50% capital held by MSAR residents. Support reached its peak around 2009-10, reflecting the Government's assistance to mitigate the effects of the global financial crisis. Support levels have also been raised, to cushion the adverse impact from soaring operation costs, pushed up by fast growth in the local economy and the dominance of the gaming sector.

3.8. A draft amendment to the Land Law was proposed to the Legislative Assembly in December 2012. The amendment is intended to enhance transparency in land allocation, and optimize land utilization. Land concession applications for gaming facilities will not be processed if they were submitted after the end of 2008.

3.9. Macao SAR amended its Copyright and Related Rights Code in 2012, aimed at enhancing copyright protection in the digital environment. During the review period, invention patent applications declined, whereas extensions of invention patent rights granted by China's State Intellectual Property Office (SIPO) have been increasing steadily. The MSAR actively enforced IPRs during the review period, in particular through confiscation of infringing products such as compact discs, medicines, and cigarettes.

3.10. Macao SAR still does not have a comprehensive competition policy, and relevant provisions are scattered about in different legislation and sector-specific regulations and rules. The authorities consider the level of protection is adequate, given the small size of the territory and that most businesses are SMEs. A series of measures were adopted to introduce competition to the gaming, public utility, and telecoms sectors.

3.2 Measures directly affecting imports

3.2.1 Customs procedures

3.11. In accordance with the Basic Law, Macao SAR retains its status as a free port. International trade is mainly regulated under the Macao Foreign Trade Law (Law No. 7/2003), and Administrative Regulation on Foreign Trade Activities (Administrative Regulation No. 28/2003) (Table A2.1). Since the previous Review in 2007, there has been no significant change to customs procedures.¹ The Macao Customs Service is responsible for implementing border measures, and the Civic and Municipal Affairs Bureau of Macao (IACM) is involved in SPS inspection at the border on an advance booking basis.²

3.12. The Foreign Trade Law stipulates that all natural or legal persons who have met their tax obligations are eligible to carry out foreign trade activities. Goods with a value exceeding MOP 5,000, and goods with a value below this threshold but that are part of a complete item whose value exceeds MOP 5,000, may enter Macao SAR after submitting a completed import declaration form to Customs, for customs clearance. Some commodities that are subject to licensing require prior import authorization from other competent agencies (section 3.2.5).

3.13. Goods with a value below MOP 5,000 may enter without a declaration form. Effective 1 April 2012, the amount of tobacco products an individual is allowed to bring into the MSAR was reduced by at least 50%.³

3.14. Macao SAR is not a contracting party to the International Convention on the Harmonized Commodity Description and Coding System (HS Convention), but China has extended the application of the HS Convention to the MSAR since 1 January 2007.⁴ Macao SAR applies Version 5 of the Nomenclature for Macao External Trade⁵, which is consistent with HS2012. Reflecting the adoption of this new nomenclature, the Import Table and Export Table (for products subject to import and export licensing), and SPS Table (for goods subject to SPS inspection) were revised with effect from 1 January 2012.⁶

3.15. Customs uses an Electronic Data Interchange (EDI) system, which allows electronic transmission of both the application for and the approval of licences, and lodging declarations. TEDMEV⁷, the service provider wholly owned by the Government, handles all the electronic submission services on the EDI. Since May 2011, the Macao Customs Service has implemented a paperless clearance system. When traders or operators apply for a licence or lodge a declaration, the system automatically assigns a cargo-clearance number, which they use directly with the relevant customs house for cargo clearance. This system provides services for export licensing, import/export declaration, and re-export declaration. The authorities indicate that this paperless clearance system will shortly cover import licensing and transit documents.

¹ The Macao Customs Service online information. Viewed at: <http://www.customs.gov.mo/en/index1.htm>.

² For goods subject to SPS inspection, importers must apply to the IACM 24 hours prior to the arrival of the goods for inspection slots. SPS inspectors are only present at the border for the pre-booked slots.

³ Macao SAR Chief Executive's Decision No. 45/2012, 12 March 2012. This is part of the implementation of Law No. 5/2011 (the Regime for the Prevention and Control of Tobacco).

⁴ WCO online information. Viewed at: [http://www.wcoomd.org/files/1.%20Public%20files/PDF andDocuments/HarmonizedSystem/HS%20Overview/Situation_HS20120601EN.pdf](http://www.wcoomd.org/files/1.%20Public%20files/PDF%20andDocuments/HarmonizedSystem/HS%20Overview/Situation_HS20120601EN.pdf) [27.06.2012]

⁵ Macao SAR Chief Executive's Decision No. 68/2011, 21 November 2011. For consumption tax collection, Version 4 of the Nomenclature continues to be applied till a future revision of the Consumption Tax Regulation.

⁶ These three tables are reviewed periodically, and promulgated as annex to the Chief Executive's Decision.

⁷ Transferência Electrónica de Dados - MACAU EDI VAN S.A. For detailed information see <http://www.tedmev.com/english/index.php> [26.10.12]

3.16. Importers may submit documents to the Customs and relevant licensing authorities in person or through a customs broker. The authorities indicate that there is no restriction on the operation of customs brokers in the MSAR, but their use is not common because the procedures are simple.

3.17. The Customs implements the ATA Carnet at the border. China has extended application of the Customs Convention on the ATA Carnet for the Temporary Admission of Goods to the MSAR since 6 July 2005. The Macao Chamber of Commerce became the designated ATA document issuer and the guarantor for the security of temporarily imported goods on 24 November 2009.⁸ World Trade Centre Macao has been appointed as issuing association, under the guarantee of Macao Chamber of Commerce.

3.18. Macao SAR does not require pre-shipment inspection.

3.2.2 Customs valuation and rules of origin

3.2.2.1 Customs valuation

3.19. Given that all applied tariff rates in Macao SAR are zero, customs valuation is used mainly to facilitate consumption tax collection at the border. Article 21 of the Consumption Tax Regulations stipulates that import valuation is based on the c.i.f. value of goods. Under Article 24, if Macao Economic Services (MES) is sceptical about the value declared, the importer will be notified to amend it within ten days. If the MES is doubtful about the re-declared value, the rules of the WTO Customs Valuation Agreement are applied. The authorities note that the Custom Valuation Agreement is rarely used as disputes are usually settled through negotiation.

3.20. In case of disagreement on a customs valuation, the party concerned may make an administrative appeal to a higher administrative authority. If the first appeal is rejected, the party concerned may make a second appeal to the Administrative Court.

3.2.2.2 Rules of origin

3.21. Macao SAR does not apply any preferential or non-preferential rules of origin on imports, and no certificate of origin is required for imports of goods.

3.2.3 Tariffs

3.22. All applied MFN tariffs in Macao SAR are zero rated.

3.23. Macao SAR has bound 27.9% of its tariff lines (HS 2002 nomenclature); all bound lines are at zero. During the review period, Macao SAR notified the WTO that additional pharmaceutical products contained in Annexes I-IV were bound as a result of the expansion of product coverage in the Pharmaceutical Agreement.⁹

3.24. The binding coverage varies according to sector¹⁰: 99.9% of agricultural lines are bound (98.7% of lines for oilseeds, fats, and oils, and 100% of the other lines); 16.9% of non-agricultural lines are bound, within which 54.5% of tariff lines for leather, footwear, (34.3% for electrical machinery (as the MSAR bound all products covered in the Information Technology Agreement (ITA)), 27.5% for other manufacturing products, 26.8% for chemicals, 18.5% for wood, paper, etc., 12.8% for minerals and metals, 9.4% for non-electrical machinery, 2.6% for textiles, and 0.9% for clothing. Other products remain unbound.

3.2.4 Other duties and charges (ODCs)

3.25. Importers who use paper declaration forms pay MOP 3.0 per copy. If they use the EDI system for customs declarations, there is no fee; however, users need to pay a one-off price for

⁸ Macao SAR Chief Executive Decision No. 441/2009, 23 November 2009.

⁹ WTO document, G/MA/TAR/RS/228, 3 March 2011.

¹⁰ WTO online information, "Tariff profile of Macao, China". Viewed at: <http://stat.wto.org/ariffProfile/WSDBTariffPFView.aspx?Language=E&Country=MO> [20.07.2012].

the software, and annual or monthly subscription fees for the e-Customs/e-Form services provided by TEDMEV.¹¹ The authorities state that there is no customs clearance fee.

3.26. Importers do not pay fees to obtain import licences, except for licences to import endangered species of animals and plants, which cost 0.5% of the c.i.f. value.¹²

3.27. Imports of tobacco products and alcoholic beverages with alcohol concentration of more than 30% are subject to consumption taxes levied on their c.i.f. value, regardless of the origin of imports. The consumption taxes are applied equally to imports and locally produced goods. A motor vehicle tax is also levied on new motor vehicles (section 3.4.2.2.2).

3.2.5 Import prohibitions, restrictions and licensing

3.28. The basic framework for import prohibitions, restrictions and licensing has remained largely unchanged since the previous Review of MSAR, apart from the changes in import licensing resulting from revisions in consumption tax regulations.

3.2.5.1 Import prohibitions

3.29. The authorities state that Macao SAR imposes import prohibitions for reasons of public security, environment protection, and compliance with international obligations (Table 3.1). In addition to import prohibitions on SPS grounds (section 3.2.8.2), (Table 3.4), four types of products have been added to the prohibition list since 2007.

Table 3.1 Import prohibitions in Macao, China

| Banned products | Effective date | Legislation | Rationale |
|--|------------------------------|---------------------------------------|---|
| Brand new automobile vehicles and engines whose emission do not meet the EURO IV level | 15 January 2012 ^a | Administrative Regulation No. 1/2012 | Pollution control and environmental reasons |
| Pharmaceutical materials containing Sibutramina | 31 January 2011 | Chief Executive Decision No. 21/2011 | Protection of human life and health |
| Flueless gas water heaters | 1 January 2011 | Chief Executive Decision No. 361/2010 | Protection of human life and health |
| Motorcycles equipped with two-stroke engine | 1 March 2008 | Administrative Regulation No. 1/2008 | Pollution control and environmental reasons |
| BSE-related products | 26 December 2007 | Chief Executive Decision No. 341/2007 | Protection of human life and health |
| Used motor vehicles and engines | 19 October 1998 | Government Decision No. 219/98/M | Pollution control and environmental reasons |
| Ozone-depleting substances from non-Montreal Protocol parties | 3 February 1996 | Decree-Law No. 62/95/M | Compliance with international obligations |

a Brand new automobile vehicles with a gas emission below the EURO IV standard that were ordered or imported prior to the effective date must be registered no later than August 2013.

Source: Information provided by the authorities of Macao, China.

3.2.5.2 Import licensing

3.30. Import licensing in Macao SAR is applied mainly for reasons of health, safety, environmental protection, public security, and administration of consumption tax collection (Table 3.2). Since its last Review, Macao SAR's Import Table, which lists all imports subject to import licensing, has been amended three times to reflect the new version of the nomenclature, and changes in consumption tax exemption criteria (section 3.4.2.2.2). Since August 2008, fuel and lubricants, and beverages with an alcohol content of less than 30% (e.g. beer and grape wines) have been

¹¹ The e-Customs services relate to customs clearance documents and the e-Form services relate to other administrative documents, such as licences and SPS documents. The service subscription is paid to TEDMEV.

¹² WTO document G/LIC/N/3/MAC/14, 7 October 2011.

exempted from consumption tax; for this reason, importers of these products no longer need to obtain a licence.

Table 3.2 Import licensing regime, 2012

| Goods | Licensing authority | Rationale |
|---|--|--|
| Live animals; meat; animal products; fish, crustaceans, and molluscs; vegetables; live plants; mushroom spawn, and dairy products | IACM | To protect public health, animal health, animal welfare, and prevent the introduction into and spread within the MSAR of destructive plant diseases and pests |
| Pharmaceutical products and medicines; modified milk; essential oils; dyes and chemicals | Health Bureau | To safeguard public health; prevent diversion of narcotic drugs and psychotropic substances into illicit markets |
| Beverages with alcohol content \geq 30%; tobacco products | MES | To facilitate collection of consumption tax |
| Motor vehicles | MES; prior approval from Transport Bureau | To facilitate collection of motor vehicle tax |
| Optical discs manufacturing equipment and raw materials | MES | To enforce control over the flow of optical disc manufacturing equipment and raw materials so as to prevent copyright-infringing activities |
| Narcotic drugs and psychotropic substances | MES | To control the illicit traffic of narcotic drugs and psychotropic substances as stipulated under the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances |
| Telecom and radiocom apparatus | Bureau of Telecommunications Regulation | To ensure imported products meet certain standards |
| Ozone-depleting substances originating in contracting parties to the Montreal Protocol | MES; 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 | MES; prior opinions from IACM for species of animals and plants listed in CITES; prior opinions from the Health Bureau for medicines comprising ingredients of species listed in CITES | To ensure survival of endangered species of wild animals and plants |
| Arms and ammunitions; parts and accessories thereof | Macao Security Policy | To control arms and ammunitions |

Source: WTO document G/LIC/N/3/MAC/15, 19 October 2012.

3.31. Import licences are granted, in general, within three working days if "ordinary" criteria are met; if refused, the reasons for refusal must be given to the applicants who have the right to appeal. Licences for importation of endangered species of animals and plants require at least three working days. For importation of motor vehicles, specimens listed in CITES, and ozone-depleting substances, prior comments/approval from relevant authorities must be sought before submitting applications to the MES for import licences. Import licences are valid for 30 days from issuance, and may not be extended. Import licences are not transferable among importers.¹³

3.2.5.3 Other restrictions

3.32. The importation of hydrochlorofluorocarbons (HCFCs) has been subject to import quota since 1995; the quota is being progressively reduced on a five-yearly basis; its importation is to be prohibited in 2030.

3.2.6 Contingency measures

3.33. Macao SAR does not have an authority competent to initiate or conduct investigations on anti-dumping or countervailing measures. The authorities notified the WTO that MSAR has taken

¹³ Regarding the importation of arms and ammunitions, application of import licences must be submitted one month in advance, and the licences granted are valid for 12 months.

no anti-dumping or countervailing actions so far, and does not anticipate taking any for the foreseeable future.¹⁴

3.34. Macao SAR does not have legislation or an institutional framework on safeguards, and no safeguard measure has been adopted.

3.2.7 State trading

3.35. According to the authorities, Macao SAR does not maintain any state-trading enterprises in accordance with the working definition contained in Paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT.¹⁵

3.2.8 Standards and other technical requirements

3.2.8.1 Standards and technical requirements

3.36. Macao SAR has no official institution for standards, and has no comprehensive legislation in this area. The MSAR has not developed its own standards, adopting international or overseas standards, where appropriate. The MES is the enquiry point for the WTO.

3.37. Macao SAR has adopted international standards (compulsory) for radio-telecommunication equipment. The authorities note that technical standards applied to telecommunication equipment are based on parameters recommended by the ITU, and telecom equipment needs to comply with international standards to be used in Macao SAR. Radio communication equipment, such as conventional radio telephones and pagers must pass type-approval tests.¹⁶ Approvals of equipment from other jurisdictions may be used as a reference. Type-approval certificates are issued by the Bureau of Telecommunications Regulations (DSRT). At present, there are two technical standards for type-approval tests, which are mainly derived from ETSI standards.

3.38. In accordance with Administrative Regulations No. 1/2012 and No. 1/2008, Macao SAR applies overseas standards (compulsory) for automobile vehicles (including motor cycles). The standards for automobile vehicles are based on those implemented in the United States, the EU, Japan, and China.¹⁷

3.39. Importation of telecommunication equipment and automobile vehicles is subject to licensing, to ensure the technical standards are met. Test results and certificates issued by the manufacturers or other authorities are accepted as a useful reference for licensing purposes. Macao SAR does not apply compulsory standards for other products.

3.40. Macao SAR does not have an overall conformity assessment structure for standardization, accreditation or certification. The MSAR does not participate in international agreements or arrangements (including MRAs) in the area of standards, testing, and certification. The authorities note that the trend for local enterprises to adopt a voluntary management system of certifications, such as ISO 9001 and ISO 14001, continues to grow. The services sector, the engineering/construction sector, and public utilities are the top three sectors for enterprises using ISO management system certifications. The Macao Productivity & Technology Transfer Centre (CPTTM) is the ISO correspondent member.

3.41. Macao SAR does not have a laboratory accreditation scheme, or a government-supported organization providing accreditation to laboratories or certification bodies. A laboratory in the MSAR that seeks accreditation, must call on accreditation bodies from abroad. The authorities state that choices of accreditation bodies are private decisions by individual laboratories, based on considerations including the background of the laboratory, the cost, the geographical proximity, the types of accreditation schemes offered, as well as whether the accreditation body from abroad is willing to provide service to a laboratory in the MSAR. As of end-December 2011, there were eight foreign-accredited laboratories in the MSAR (Table 3.3).

¹⁴ WTO documents G/ADP/N/193/MAC, and G/SCM/N/202/MAC, 9 February 2010.

¹⁵ WTO document G/STR/N/14/MAC, 11 April 2012.

¹⁶ Provisions in Decree-Law No. 48/86/M. Viewed at: <http://images.io.gov.mo/bo/i/86/44/dl-48-86-cn.pdf>

¹⁷ Annex I and II to the Administrative Regulations No. 1/2012 and No. 1/2008.

Table 3.3 Accredited laboratories in Macao, China, December 2011

| Name | Nature | Accredited by | Scope |
|--|--------------------|---------------------------------|--|
| Macao Cement Manufacturing Co. Ltd. | Company-owned | HKAS (Hong Kong, China) | Construction materials – cement (chemical analysis) |
| LECM Civil Engineering Laboratory of Macau | Government-related | IPAC (Portugal) CNAS (China) | Calibration of instruments for the measurement of mass, force, and length Concrete testing, aggregates, soil test and rock test, pile test, foundation monitoring, flat glass, steel bars, metallic materials, cement |
| The Macao Water Supply Co. Ltd. - Analysis Division, Laboratory & Research | Company-owned | CNAS (China) | Drinking water and source water |
| Civic and Municipal Affairs Bureau - Laboratory | Government lab | CNAS (China) | Food and water (microbiological and chemical test) |
| Health Bureau – Public Health Laboratory | Government lab | CNAS (China) | Clinical specimen, food, vegetables, cosmetics, drugs, water and waste water, sediment |
| Labour Affairs Bureau – Occupational Hygiene Laboratory | Government lab | CNAS (China) | Workplace hygiene analysis (volatile organic compounds, noise, lux, indoor air quality, wet bulb globe temperature index) |
| Macao Institute for Applied Research in Medicine and Health – Chinese Medicines and Food Safety Laboratory | University-related | NATA (Australia) | Biological and chemical testing |
| University Hospital – Clinical Laboratory | University-related | NATA (Australia) | Chemical pathology |

Source: Information provided by the authorities of Macao, China.

3.42. The regulatory framework for marking, labelling, and packaging is largely unchanged since 2007. Food labelling is regulated under the Decree Law 50/92/M, and its successive amendments, Decree Law 56/94/M, and Administrative Regulation 7/2004. On 12 January 2010, Macao SAR published a list of generic food additive names that are used for labelling.¹⁸ All these laws, rules, and regulations aim to ensure consumers acquire proper information on products, including the nature, ingredients, expiry date, and conditions of storage and use, so as to protect the health of consumers and prevent any unfair or fraudulent competition in the market.

3.43. Technical Instructions No. 3/2005 and No. 4/2005 of the Macao Health Bureau regulate the packaging and labelling of medicines and traditional Chinese medicines. These rules remain unchanged since promulgation. All pharmaceutical products (including traditional Chinese medicines) that enter the MSAR must be approved by the Health Bureau, and must be labelled in Chinese, Portuguese, or English.¹⁹

3.44. The authorities note that there are no eco-labelling initiatives, or labelling requirements on GMOs.

3.2.8.2 Sanitary and phytosanitary requirements

3.45. Administrative Regulation No. 40/2004 regulates SPS-related matters in Macao SAR. The Civic and Municipal Affairs Bureau of Macao (IACM) is responsible for formulating and implementing SPS regulations and measures, and is also the SPS enquiry point for the WTO.²⁰

3.46. Goods subject to SPS inspection are listed in an SPS table, which is reviewed periodically. The SPS table was most recently amended on 1 January 2012²¹, mainly to reflect the adoption of a new HS nomenclature.

¹⁸ Macao SAR Chief Executive Decision No. 556/2009, 11 January 2010.

¹⁹ If the labels of pharmaceutical products are in another language, importers must label the products in a required language by stickers on outer packing and insertion of instruction inside the package. The translation must be authorized by the manufacturer and approved by the Health Bureau.

²⁰ IACM online information. Viewed at: <http://www.iacm.gov.mo/e/default/> [31.10.12].

3.47. Importers of goods listed in the SPS table must apply to the IACM for SPS inspection at least one working day prior to the arrival of goods at the border. Applications may be submitted in person or on the e-Form system of the IACM. The IACM checks SPS documentation, and the IACM laboratory or its subcontracted laboratories may conduct random laboratory samplings of imported goods at the border. Importers of species of animals and plants listed in the CITES must obtain import licences from the MES (Table 3.2) before booking SPS inspections with the IACM.

3.48. Importers of goods subject to SPS inspections must pay inspection fees.²² In response to the global hike in food prices, fees for SPS inspections of vegetables, meat and poultry (including eggs), fish (including crustaceans and molluscs), and live animals for human consumption have been suspended since 1 January 2008.²³ The authorities state that the suspension of SPS inspection fees is subject to annual review. Currently, importers of plants (including seeds), and of live animals are required to pay an SPS inspection fee.²⁴

3.49. The authorities maintain that all SPS measures and decisions are in line with international standards, agreements or recommendations from relevant international organizations. Currently, three "temporary" SPS measures are in place (Table 3.4), all of which were notified to the WTO.

Table 3.4 Active SPS measures in Macao, China, 2012

| 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 |
| Poultry products from avian-flu-affected Asian countries | 29 January 2004 | Chief Executive Decision No. 7/2004 |

Source: Information provided by the authorities of Macao, China.

3.50. To address growing public concerns about food safety, a new draft Food Safety Law has completed its public consultation and been sent to the Legislative Assembly. The Food Safety Centre is to be established once the Food Safety Law is enacted. According to the authorities, this Centre is to be responsible for supervision and management of food safety, risk assessment, and implementation of "appropriate" control measures in response to food safety incidents, with the aim of achieving better coordination among different competent agencies.

3.51. Plant importers must produce valid phytosanitary certificates (Plant Quarantine Certificate) to the authorities. The authorities indicate that control measures for pests and diseases follow China's AQSIQ Catalogue of Quarantine of Imported Organism Contaminated with Pest and Disease. Under the CEPA, Macao SAR 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.

3.2.9 Government procurement

3.52. Macao SAR is not a signatory to the WTO Government Procurement Agreement (GPA), nor an observer. The authorities indicate that procurement procedures and disciplines are "virtually consistent with the international standards".²⁵ In 2011, total expenditure on government procurement accounted for 5.7% of GDP (Table 3.5).

²¹ Annex II and Annex III of the Macao SAR Chief Executive Decision No. 452/2011, 3 January 2012.

²² The SPS inspection fees are stipulated in Macao SAR Chief Executive Decision No. 268/2003, 1 December 2003.

²³ Macao SAR Chief Executive Decision No. 106/2008, 5 May 2008.

²⁴ Fees are listed in Article 93 and 98 of the Table of Rates, Tariffs and Prices of IACM. Viewed at: <http://images.io.gov.mo/bo/i/2003/48/despce-268-2003.pdf> (in Chinese and Portuguese) [30.10.12].

²⁵ Regarding public construction projects, Macao SAR has revised the rules related to periods and foreign bidders, eliminated the mandatory requirements on submitting documents and tender proposals written in Portuguese and preference for domestic products, and modified the provisions of publicity of tenders (Preamble of Decree-Law No. 74/99/M).

Table 3.5 Government procurement, 2007-11

(MOP million)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|-------------|-------------|-------------|-------------|-------------|
| GDP at current prices | 1,451 | 166,265.1 | 170,171.1 | 226,940.5 | 295,535.3 |
| Total expenditure on government procurement | 7,379.2 | 7,846.4 | 9,569 | 11,505.6 | 16,991 |
| Investment | 3,757 | 3,291.2 | 4,143.8 | 5,386.4 | 9,352.2 |
| Investment and Development Plan (PIDDA) | 3,446 | 2,972 | 3,816.8 | 4,978.4 | 8,943.2 |
| Other | 311 | 319.1 | 327 | 408 | 409.1 |
| Total goods and services | 3,622.2 | 4,555.2 | 5,425.1 | 6,119.1 | 7,338.8 |
| % of total government procurement to GDP | 5.08 | 4.72 | 5.62 | 5.09 | 5.71 |

Source: Information provided by the authorities of Macao, China.

3.53. The legislative and regulatory framework for government procurement remains largely unchanged since the previous Review of MSAR. Government procurement is regulated in accordance with the Decree-Law No. 122/84/M (legal system of expenditure on government procurement related to goods, services and public works, amended by Decree-Law No. 30/89/M), No. 63/85/M (on the purchase procedures of goods and services), and No. 74/99/M (on the purchase procedures of public works). The authorities indicate that all these laws are under review. Macao SAR's Commission Against Corruption (CCAC) also issued the Guidelines on Public Procurement and Acquisition of Goods and Services in December 2003. The Guidelines must be complied with in all public procurement, regardless of the method of procurement.

3.54. As stipulated in Decree-Law No. 122/84/M, public procurement of goods, services, and public works must be carried out through tender (open tender or selective tender) or direct negotiation (written consultation, verbal consultation or exempted consultation). The general system for tenders is similar to that in standard international procedures; it consists of tender offer, collection, opening, evaluation of bidders' qualifications, evaluation of proposals, awarding contract, contracting, execution and monitoring. Public tenders are usually compulsory for public works contracts exceeding MOP 2.5 million and purchases of goods and services exceeding MOP 750,000. There may be exceptions; for example, contracts may be awarded through direct negotiations where at least three bidders must be consulted and no open tender is required.²⁶ In addition, the Chief Executive may determine that contracts be awarded through selective tender when a contract exceeds MOP 15 million for public works and MOP 7.5 million for goods and services, provided there is technical complexity, or when there is not enough time to undertake an open tendering procedure. Data on the share of open tendering in public procurement contracts are not available.

3.55. As delegated by the Chief Executive of Macao SAR, Government Secretaries may award public procurement contracts below certain thresholds. Procurement contracts above the thresholds must be submitted to the Chief Executive for approval. The authorities indicate that, reflecting the economic development of Macao SAR, the Government increased the thresholds three-fold in May 2011²⁷: MOP 30 million for each tendering project (previously MOP 10 million); MOP 18 million for authorization of projects' expenditures (previously MOP 6 million); and MOP 9 million for contracts that are exempted from tendering (previously MOP 3 million).

3.56. The Financial Services Bureau centrally purchases, eight categories of common consumable goods²⁸ through public tenders, for all non-autonomous government agencies of Macao SAR and a

²⁶ Exceptions apply when: one company has the exclusive supply rights; it is in the interests of Macao SAR, given the nature of the goods, services or public works required, to award directly to a particular entity; the contract involves project studies, technical consultancy or supervision of public works; there are security reasons; or in urgent and extraordinary situations caused by *force majeure*.

²⁷ Executive Orders No. 120/2009, No. 121/2009, 122/2009, 123/2009 and 124/2009 amended respectively by Executive Orders No. 26/2011, 27/2011, 28/2011, 29/2011 and 30/2011.

²⁸ Vehicle parts and components; food; bottled drinking water; daily cleaning products; office stationary and photographic products; fuel; building maintenance materials; and environmentally friendly products.

number of financially autonomous entities.²⁹ For those goods not in the eight categories, the procuring governmental entity must follow the corresponding procurement procedure based on the estimated value of the project. Regarding services procurement, individual bodies of the Government may carry out their own procurement, pursuant to the needs of their functions and duties.

3.57. Procurement of foreign goods and services (i.e. goods and services supplied from outside Macao SAR) exceeding MOP 500,000 requires approval from the Chief Executive. In 2011, 27% of goods and services (excluding public works) centrally purchased by the Financial Services Bureau, in value terms, were supplied by foreign companies, up from 9% in 2007 (Table 3.6). These figures may under-represent the share of foreign suppliers in public procurement, as foreign companies registered with the Financial Services Bureau are considered as local companies (regardless of whether they are locally corporatized), and country of origin is not recorded. All government agencies without a notary officer are obliged to sign their contracts in the Notary Division within the Financial Services Bureau. For goods and services contracts below MOP 500,000 or a contract duration less than half a year, and for public works/construction below MOP 1,500,000 or a contract duration less than one year, agencies may draw up an agreement with the awarded supplier directly without passing through the Notary Division; these cases are not recorded and hence not reflected in the table.

Table 3.6 Local and foreign participation in government procurement centrally purchased by the Financial Services Bureau, 2007-11

| | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Foreign | 15 | 3 | 13 | 2 | 28 | 4 | 26 | 4 | 48 | 5 |
| Service provider | 7 | 47 | 9 | 69 | 22 | 79 | 25 | 96 | 45 | 94 |
| Government work | 2 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Buy and sell ^a | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public tender ^b | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisition | 6 | 40 | 4 | 31 | 6 | 21 | 1 | 4 | 3 | 6 |
| Local | 519 | 97 | 648 | 98 | 745 | 96 | 695 | 96 | 828 | 95 |
| Service provider | 345 | 66 | 401 | 62 | 493 | 66 | 544 | 77 | 600 | 72 |
| Government work | 63 | 12 | 58 | 9 | 116 | 16 | 52 | 9 | 98 | 12 |
| Buy and sell ^a | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 3 | 0 |
| Public tender ^b | 56 | 11 | 103 | 16 | 72 | 10 | 73 | 10 | 79 | 10 |
| Acquisition | 54 | 10 | 86 | 13 | 63 | 8 | 26 | 4 | 48 | 6 |
| Total | 534 | 100 | 661 | 100 | 773 | 100 | 721 | 100 | 876 | 100 |
| Value distribution | | | | | | | | | | |
| Foreign | | 8.8 | | 3.7 | | 10.9 | | 6.8 | | 26.6 |
| Local | | 91.2 | | 96.3 | | 89.1 | | 93.2 | | 73.4 |

a The contract number shown in this item is only for purchases of properties.

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

Source: Information provided by the authorities of Macao, China.

3.58. Expenditure under the Investment and Development Plan (the PIDDA) is largely devoted to public sector construction. As infrastructure development is a major concern for the future development of the economy, more than half of government procurement was PIDDA-related in 2011 (Table 3.5). The authorities note that there is no restriction on foreign participation in construction procurement; similar to goods and services procurement, bidders that complete business and tax registrations with the competent authorities are considered as local bidders. The authorities also indicate that, among the contracts awarded for the LRT project in 2011, MOP 4.69 billion out of the total MOP 4.87 billion were awarded to foreign bidders. The Land, Public Works and Transport Bureau (DSSOPT) is, in general, responsible for the procurement of construction services; for very large projects (e.g. the new Hengqin Campus of University of Macao), the Office for the Development of Infrastructures takes over the responsibilities.

²⁹ There are three categories of agencies in the MSAR Government: non-autonomous agencies; agencies with administrative autonomy; and agencies with administrative and financial autonomy. The Financial Services Bureau procures consumable goods for the first two categories. Agencies with administrative and financial autonomy may carry out their procurement independently or join the central procurement for consumable goods.

3.59. In 2009, with a view to enhancing the efficiency and effectiveness of public works procurement, the DSSOPT established a centralized registry system of qualified constructors (operational from 2010) for selective tenders. Public works in this system are categorized into four types, and for each type, into three groups.³⁰ Constructors also register and are then assigned to a group in accordance with an assessment conducted by the DSSOPT assessment committee.³¹ Selective tender is then applied: i.e. when a tender is posted, a list of constructors will be drawn randomly from the database, witnessed by the assessment committee, as potential qualified contractors.

3.60. To promote transparency in public procurement, announcements are published in the *Official Gazette*, in local newspapers in Chinese and Portuguese, and on relevant government websites of, *inter alia*, the Macao SAR Government portal (www.gov.mo), the Printing Bureau, the Financial Services Bureau, and the DSSOPT. Tender documents on government websites are provided in Chinese, Portuguese, and/or English. The response period for bidders, whether local or overseas, after publication of a tender: varies from 15 to 180 days for goods and services; and 20 to 90 days for public works. After contracts are awarded, tenders are posted on the Internet, allowing registered users of different governmental agencies access to information such as purchase price, brand name, supplier, and a picture of the product being supplied.

3.3 Measures directly affecting exports

3.3.1 Procedures and documentation

3.61. All exports (except those requiring export licences) are subject only to export declarations to the Macao Customs Service for statistical purposes. Commodities with a total value of less than MOP 5,000 may be exempted. The export declaration may be submitted on the shipping day. At the border, the Customs Services is responsible for inspection and clearance; the IACM is also involved in quality supervision and quarantine inspection.

3.62. The MSAR's exports to China may benefit from certain facilitation measures under the CEPA. When local products are exported to China by container or truck, Macao Customs officers carry out clearance procedures (document verification and inspection) and seal the truck or container with an electronic pass lock. The inspection result is transmitted to China's Customs. These goods are then exempted from clearance and inspection by China's Customs.

3.63. Certificates of origin are used for exports under the GSP system (section 2.4.5) and the CEPA, as well as for exports to the United States and the European Union. Applications for certificates of origin must be submitted at least two days before shipping, and a fee for the certificate must be paid to the MES. Currently, the fee is MOP 70 per copy for Macao SAR origin, and MOP 200 per copy for foreign origin. The fees are used to fund organizations engaged in economic promotion activities or job skill training activities.³² The authorities note that certificates of origin are not mandatory for shipments; exporters should apply for the certificates when the importing country so requires, regardless of the export licensing requirement. The MES issued 10,602 certificates of origin in 2011, 37.9% of which were destined for the United States and 29.7% for the European Union.

3.64. Since 1 July 2012, under the CEPA, 1,260 (Chinese) tariff lines of exports from Macao SAR may enter the mainland China market with zero rate tariffs, as long as certain rules of origin are fulfilled. The rules of origin under the CEPA are product specific. For example, 67.3% of these goods are subject to manufacturing or processing operations (e.g. textiles & clothing, jewellery, chemical & pharmaceutical products, pasta & biscuits); 20.8% are subject to change in tariff headings (e.g. chemical products, some electronics, footwear, glass fibres, and beverages); 11.5%

³⁰ Public works are categorized by their nature and project value into four types: building construction; geotechnical and maritime hydraulic construction; urban infrastructure construction; and air-conditioning, fire control, and electrical construction. Each type is further categorized based on their construction value: Group A construction value exceeding MOP 2 million, Group B for MOP 0.5 million to MOP 2 million (inclusive), and Group C for less than MOP 0.5 million.

³¹ The eligibility and grouping of each entry will be reviewed every year; their status changes in accordance with the result of this annual review.

³² For information, see Article 6, Administrative Regulations on Certificates of Origins, Administration Regulations No. 29/2003, with effect on 22 September 2003.

are subject to manufacturing operations and value-added contents (e.g. clocks, watches, spectacle frames, and optical apparatus); and 0.4% are subject to manufacturing operations and changes in tariff headings (e.g. some pharmaceutical products, and some plastic articles). In accordance with the Supplementary II to the CEPA, the MES may submit a request-list of goods for zero tariffs to China twice a year.³³ After consultation on the rules of origin for the relevant goods, between China's Customs and the MES, the Chinese authorities grant zero tariffs by 1 July for goods on the list submitted by 1 March, and 1 January the following year for goods on the list submitted by 1 September.

3.3.2 Export prohibitions, restrictions and licensing

3.65. Macao SAR does not ban on exports to any country, except to fulfil international obligations under UN resolutions.

3.66. No products are subject to export restrictions and controls, except those required for export licensing as specified in the Export Table. The Table was most recently revised on 1 January 2012, reflecting the adoption of new HS nomenclature.³⁴ Exporters of toxic chemicals, precursor substances, psychotropic substances; and of optical discs, manufacturing equipment, and raw materials, among others, must apply for licences to the MES (Table 3.7). Textile and garment products exported to the United States, the European Union, Canada, Norway, and Turkey are also listed in the Export Table. However, the authorities note that applications for export licences for these products are at exporters' discretion for trade facilitation purposes rather than a prerequisite for export. The authorities also indicate that the Export Table will be updated accordingly.

3.67. For products subject to export licensing by the MES, exporters must obtain the licence before applying for a certificate of origin. To apply for a certificate of origin, exporters need to provide: export licence, completed document certifying the origin of the goods, and invoice. In general, export licences are granted at most three working days after application; two working days, at the most, are required for obtaining a certificate of origin after the issuance of an export licence.

3.3.3 Export taxes, charges and levies

3.68. Macao SAR does not levy any export-related duties, taxes or charges.

3.69. Where goods subject to consumption taxes are exported (or re-exported) within six months from the import date, the importers are entitled to 95% rebate of the tax paid (section 3.4.2.2.2).

Table 3.7 Export licensing regime, January 2012

| Goods | Licensing authority | Rationales |
|---|---|---|
| Toxic chemicals, precursor substances, and psychotropic substances | Health Bureau/MES | Control illicit production, supply and consumption of narcotic drugs and psychotropic substances (the Health Bureau); Control chemicals of 1988 UN Convention, (MES) |
| Optical disc, manufacturing equipment and raw materials | MES | Control piracy of copyrighted materials |
| Textile and garment products exported to the U.S., the EU, Canada, Norway, and Turkey | MES | At exporters discretion for trade facilitation purposes |
| Specimen of endangered species of animals and plants | MES; prior opinions from IACM for species of animals and plants listed in CITES; prior opinions from the Health Bureau for medicines comprising | Ensure survival of endangered species of wild animals and plants |

³³ From 1 January 2006, Macao manufacturers may submit lists of goods to the MES requesting zero tariffs. The MES verifies and certifies these requests, and submit a compiled list of goods for zero tariffs to the Ministry of Commerce, China before 1 March and 1 September each year.

³⁴ Annex II, Macao SAR Chief Executive's Decision No. 452/2011, 28 December 2011. Viewed at: <http://images.io.gov.mo/bo/i/2012/01/despce-452-2011.pdf> [in Chinese and Portuguese].

| Goods | Licensing authority | Rationales |
|--|--|--|
| | ingredients of species listed in CITES | |
| Ozone-depleting substances originating in contracting parties to the Montreal Protocol | MES; advance comments from the Environmental Protection Bureau | Comply with the obligations set out in the Montreal Protocol |
| Arms and ammunitions; parts and accessories thereof | Macao Security Police | Control arms and ammunitions |

Source: Annex II, Macao SAR Chief Executive's Decision No. 452/2011, and information provided by the authorities of Macao, China.

3.3.4 Export support and facilitation

3.70. The authorities note that Macao SAR does not provide export subsidies. It does not operate any export finance schemes (including concessional export credits), or any export insurance and guarantee schemes.

3.71. Macao SAR has not established special economic zones, export processing zones, or free trade zones. Business in the Macao Zone of the Zhuhai-Macao Cross-border Industrial Park is regulated the same way as in the Macao SAR territory.

3.72. The Macao Trade & Investment Promotion Institute (IPIM) is a non-profit organization mandated to promote trade and attract foreign investment. It provides trade, economic, and statistical information on various markets, and helps exporters participate in international fairs. In addition, it operates an Export Diversification Incentive programme, which covers the costs for exporters to attend trade promotion events.³⁵ The IPIM organizes a number of exhibitions to promote Macao products, facilitate business-matching contacts, exchange information, and highlight Macao's role as an economic and trade platform between China and foreign countries, in particular Portuguese-speaking countries. Applicants are required to submit the certificate of origin or the respective trade mark registration issued by MES to IPIM as a proof of "Made in Macao", or "Macao Brand" products, when applying for export assistance provided by IPIM. In May 2011, the "Macao Ideas" initiative was launched to serve as a product display centre to promote Made in Macao, Macao Brand, and Macao Design products.

3.4 Measures affecting production and trade

3.4.1 Legal framework for businesses

3.73. The Commercial Code (Law No. 16/2009), and the Commercial Registration Code (Law No. 6/2012) comprise the main legislation establishing the legal framework for business in Macao SAR (Table A2.1). Both pieces of legislation were amended during the review period. The amendment of the Commercial Code entered into force on 9 October 2009, with the aim of enhancing the flexibility and transparency of commercial operations; and the amendment of the Commercial Registration Code entered into force on 22 July 2012, aiming to improve the security and accuracy of commercial registration data, and to establish an inter-agency data-sharing system.

3.74. There are no restrictions or controls on foreign direct investment, or the use of foreign capital in existing or newly established companies (section 2.5). Persons satisfying certain requirements³⁶ may register enterprises in the MSAR as individual entrepreneurs, commercial companies, or economic interest groupings.³⁷

³⁵ IPIM online information. Viewed at: http://www.ipim.gov.mo/business_macao_detail.php?tid=454&type_id=322 [02.07.2012].

³⁶ Commercial Registration Code. Viewed at: <http://images.io.gov.mo/bo/i/2012/17/lei-6-2012.pdf> [in Chinese and Portuguese, 06.11.12].

³⁷ An economic interest grouping consists of two or more companies without affecting their qualification of legal person, aiming at promoting and developing each other's economic activities or simply improving the

3.75. Businesses are registered with the Commercial and Movable Goods Registry under the Legal Affairs Bureau. Investors (local and foreign), except those investing in sectors requiring specific licenses, need only to complete company registration and file tax registration before operation.³⁸ Investors in sectors requiring specific licences, for example, manufacturing, tourism and entertainment, civil construction, food and beverages, must acquire business licences from competent authorities before commencing operations. The Macao Trade & Investment Promotion Institute (IPIM) provides investors with "one-stop services", free of charge, to facilitate all related administrative procedures, including notarization, registrations, and licence applications.

3.76. IPIM also assists investors through the Investment Committee mechanism in following up necessary administrative procedures for implementing investment projects in the MSAR. The Investment Committee consists of representatives from 12 government departments, *inter alia*, IPIM, MES, IACM, DSSOPT, GMTO, Labour Affairs Bureau, Environmental Protection Bureau. The Committee serves as liaison for investment facilitation purpose.

3.77. According to the authorities, full national treatment is applied to enterprises irrespective of their ownership. The authorities also note that Macao SAR does not maintain any trade-related investment measures (including local-content requirements).

3.4.2 Taxation and tax incentives

3.4.2.1 Overview

3.78. In general, Macao SAR has a simple tax structure and low tax rates. The taxation structure relies heavily on direct taxes, in particular those derived from gaming, which account for more than two thirds of total revenues (Table 3.8).

Table 3.8 Government account, 2007-11

(MOP million)

| | 2007 | 2008 | 2009 | 2010 | 2011 ^a |
|----------------------------------|---------------|---------------|---------------|---------------|-------------------|
| Total revenue | 53,710 | 62,259 | 64,772 | 88,488 | 122,972 |
| of which: direct tax from gaming | 29,341 | 39,564 | 41,870 | 65,004 | 94,112 |
| Other direct taxes | 3,680 | 3,427 | 3,320 | 3,845 | 4,283 |
| Indirect taxes | 2,059 | 1,883 | 1,491 | 2,202 | 3,342 |
| Property income ^b | 7,253 | 2,764 | 3,539 | 2,092 | 3,662 |
| Total expenditure | 23,346 | 30,443 | 33,477 | 38,394 | 45,593 |
| of which: capital expenditure | 4,922 | 5,157 | 5,094 | 6,008 | 11,306 |
| Overall surplus | 30,365 | 31,816 | 31,295 | 50,094 | 77,379 |

a Figures for 2011 are provisional.

b Property income includes a variety of government revenue such as interest, dividends, rents, and premiums from land concessions.

Source: Information provided by the authorities of Macao, China.

3.79. Since the previous Review, the rates of consumption tax have been revised twice, while other taxes have remained largely unchanged (Table 3.9).

economic activities of their companies. The authorities note that there is currently no economic interest grouping registered in Macao SAR.

³⁸ Tax registration is handled by the Financial Service Bureau.

Table 3.9 Main types of taxation and related incentives

| Type of tax | Main features of the tax | Nature of incentives |
|---------------------------|---|--|
| Direct taxes | | |
| Profits tax | Business revenue tax levied on the total revenue generated by industrial and commercial businesses; revenue less than MOP 32,000 is exempted; for revenue in excess of MOP 300 000 there is a flat rate of 12%; for revenue below MOP 300,000 the rate ranges from 3% to 12% | May be reduced by 50% or exempted |
| Salaries tax | Levied at rates between 7% and 12% on working income: daily wage temporary workers, full-time employees or freelance workers must pay income tax if their annual income exceeds MOP 95,000. In the case of self-employed professionals, tax is based on declaration of income, then authorized by Commissioner for Salaries Tax Evaluation | |
| 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. The usual charge is MOP 300 and for commercial banks the tax is MOP 80,000 | 50% reduction for businesses located in the islands of Coloane and Taipa (except off-shore banking operations) |
| Property tax | A real estate tax is levied on the annual income from buildings in Macao, China. The rate is determined according to the rent at either 6% or 10% | Property purchased and used for manufacturing is exempted from property tax; exemption is for five years on the Macao peninsula, and ten years on the two islands |
| Gaming tax | The operators of all types of gaming activities, including casino gaming, horse racing, dog racing and lottery bets are liable to pay a certain percentage of their gross revenues in tax or pay tax according to other levy scales. 35% of gross casino gaming revenue must be paid in tax. Gaming tax is the major source of revenue for the SAR Government | |
| Indirect taxes | | |
| Consumption tax | Levied on alcoholic beverages ($\geq 30\%$ alcohol content), and tobacco | |
| Motor vehicle tax | Levied on the taxable value of new vehicles, it covers automobiles, motorcycles and scooters and imported vehicles for the private use of the importer or marketing agents. The rates vary between 10% and 30% for motorcycles and scooters and between 30% and 55% in the case of automobiles. | Vehicles intended for use in Macao's public services, tourism sector, and 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, hotels and restaurants are exempted |
| Stamp duty | The rate for transactions involving building units in the Macao peninsula and the two islands is 1 - 3%. A stamp duty of 5% is levied on gifts or personal chattels | If certain conditions are met, all property transfers involving industrial use enjoy a reduction. In addition, charitable organizations and public administrative units are exempted |
| Special stamp duty | Any transfers of residential property ownership within two years since stamp duty liquidation date of the property are subject to the Special Stamp Duty | The Special Stamp Duty is exempted for the spouse, parent or straight line relative and parent or 2 nd degree of collateral relative |

Source: Information provided by the authorities of Macao, China.

3.4.2.2 Taxation

3.4.2.2.1 Direct tax

3.80. The rent received from granting a franchise is considered a direct tax, and is by far the most important source of government revenue. In particular, operators of all types of gaming activities, including casino gaming, horse and dog racing, and lottery bets pay a certain percentage of their gross revenues in tax, or pay tax according to other levy scales. Most other direct taxes, notably those on profits and employment income, are levied at relatively low rates. This is important in making Macao SAR attractive to domestic and foreign investors. The maximum profit tax is 12%. A 12% flat rate of salary tax is applied to personal annual income above MOP 375,000.

3.4.2.2.2 Indirect tax

3.81. Indirect taxes include consumption tax, motor vehicle tax, tourism tax, and stamp duty. Consumption tax and motor vehicle tax are applied equally to domestically produced goods and imports. As few goods subject to these taxes are locally produced, imported products are the major sources of these taxes (Table 3.10).

Table 3.10 Selected products subject to consumption taxes, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|----------|----------|-----------|-----------|-----------|
| Quantity of local production and imports ('000 kg) | | | | | |
| Beer^a | | | | | |
| local | 52.7 | 32.5 | .. | .. | .. |
| import | 16,603.9 | 16,488.4 | 13,901.5 | 13,994.1 | 14,468.1 |
| Rice wine^a | | | | | |
| local | 16.7 | 4.4 | .. | .. | .. |
| import | 1,467.6 | 1,443.8 | 1,351.9 | 1,310.1 | 1,439.7 |
| Tobacco | | | | | |
| local | 1.1 | 1.0 | 0.8 | 0.8 | 0.8 |
| import | 1,508.9 | 1,529.6 | 1,581.3 | 1,573.2 | 2,198.8 |
| Cigarettes (million pcs) | | | | | |
| local | 74.9 | 86.2 | 90.9 | 9.5 | 46.4 |
| import | 1,637.7 | 1,541.1 | 1,200.0 | 905.1 | 1,354.7 |
| Consumption taxes collection (MOP '000) | | | | | |
| Beer | | | | | |
| local | 52.7 | 32.5 | n.a. | n.a. | n.a. |
| import | 16,596.6 | 11,236.4 | n.a. | n.a. | n.a. |
| Rice wine | | | | | |
| local | 1.7 | 0.4 | n.a. | n.a. | n.a. |
| import | 2,078.8 | 1,426.2 | n.a. | n.a. | n.a. |
| Tobacco | | | | | |
| local | 22.6 | 21.0 | 51.3 | 63.8 | 64.0 |
| import | 8,571.5 | 7,114.8 | 26,260.7 | 20,064.7 | 50,227.6 |
| Cigarettes | | | | | |
| local | 3,747 | 4,307.6 | 4,773.9 | 1,900.8 | 9,291.2 |
| import | 77,017.1 | 72,284.3 | 102,361.6 | 132,778.0 | 229,972.5 |

.. Not available.

n.a. Not applicable.

a Statistics on production quantities for beer and rice wine in 2007 and 2008 covered only local consumption quantities of local production. The local factories were obliged to report to the authorities the quantities of their products being locally consumed for taxation purpose. As the consumption tax on beer and rice wine was abolished/exempted from 2009, no statistics for production quantities are available.

Source: Information provided by the authorities of Macao, China.

3.82. Since the previous Review of Macao SAR, there have been some changes to consumption taxes. Consumption taxes on fuel and lubricants, and on beverages with an alcohol content of less than 30% (for example red wines) were abolished on 26 August 2008.³⁹ The authorities indicate that this was to mitigate the effect of soaring oil prices on the costs of business, transportation,

³⁹ Law No. 8/2008, entered into force on 15 August 2008.

fisheries, and other industries, and to provide assistance in boosting the development of the tourism and wine-trading industries. Wines, especially Portuguese wines, were once the key import into Macao SAR. However, as the tourism and recreation industry related to the gaming sector has increased substantially, the number of tourists has soared, thereby increasing demand. Imports of wines have been increasing and the market has become more international, not just confined to Portuguese wines.

3.83. During the review period, consumption tax on tobacco products has increased twice: MOP 4,442 per kg for cigars (up from MOP 280 in 2009, and MOP 70 before 2009); MOP 0.5 per unit for cigarettes (up from MOP 0.2 in 2009, and MOP 0.05 before 2009); and MOP 200 per kg for processed tobacco leaves (up from MOP 80 in 2009, and MOP 20 before 2009).⁴⁰ The increases in tax rates on tobacco and cigarettes partially reflect the Government's aim to control public smoking. The tax on beverages with an alcohol content of not less than 30% (except rice wine)⁴¹ remains unchanged, i.e. 10% on the c.i.f. value plus MOP 20 per litre. Thus, consumption tax is currently applied only on beverages with alcohol content of 30% and above, and on tobacco products.

3.84. The revised Regulation on Motor Vehicle Tax (Law No. 1/2012) entered into force on 8 March 2012, providing tax exemption on environmentally friendly motor vehicles. Transactions of second-hand motor vehicles are not subject to motor vehicle tax. Motor vehicle tax is progressive, based on the taxable value of new motor vehicles. The authorities maintain that the practice of a higher tax rate being levied on more expensive new cars reflects vertical equity, i.e. "ability to pay".

3.85. Importers of goods subject to consumption tax and motor vehicle tax are required to obtain licences from the MES. The taxes must be paid before customs clearance. In the event of imported goods being re-exported within six months of importation, or used as intermediate inputs in exports, 95% of the paid consumption tax may be refunded to the importers (Table 3.11).

Table 3.11 Consumption tax rebates on selected products, 2007-11

('000 MOP)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------|-------|-------|--------|--------|
| Beverages with alcohol content not less than 30% (rice wine excepted) | 929 | 6,215 | 3,502 | 8,380 | 8,312 |
| Cigars, cheroots and cigarillos | 29 | 137 | 504 | 770 | 886 |
| Cigarettes | 685 | 1,762 | 4,723 | 10 | 4,491 |
| Other manufactured tobacco and tobacco substitutes; "homogenized" or "reconstituted" tobacco | 878 | 3,250 | 8,937 | 12,384 | 27,861 |

Source: Information provided by the authorities of Macao, China.

3.86. A Special Stamp Duty on transfers of residential properties was introduced on 14 June 2011, aimed at curbing speculation in the real estate market.⁴² With a few exemptions (Article 9 of the Law), any transfers of residential property ownership within two years of stamp duty liquidation date on the property are subject to the Special Stamp Duty. The Special Stamp Duty is degressive: if the ownership transfer occurs within one year of the stamp duty liquidation on the property, the Special Stamp Duty is levied at 20% of the taxable value of the property; if the transfer occurs after one year, the Special Stamp Duty rate decreases to 10%.⁴³

3.4.2.3 Tax incentives, exemptions, and forgone revenues

3.87. During the period under review, tax incentive measures have remained largely unchanged. Macao SAR offers full or partial exemption from tax for projects that benefit the territory's development (Table 3.9). Tax incentives are applied equally to foreign and local enterprises.

⁴⁰ Law No. 11/2011, entered into force on 20 December 2011.

⁴¹ Rice wines are exempt from consumption tax as they are used as an important ingredient in cooking.

⁴² Law No. 6/2011, entered into force on 14 June 2011.

⁴³ Article 3 of the Law No. 6/2011.

Overall, in 2011, MOP 3,257 million of revenues were forgone as a result of incentives (Table 3.12).

3.88. Exemption/reduction of profit tax is the most obvious tax incentive instrument granted to business. Among the forgone revenues from profit tax, some 90% were attributed to incentives for gaming operators. The authorities note that MOP 2,768 million were forgone from profit tax on gaming in 2011 (up from MOP 1,422.7 million in 2010, and MOP 972.6 million in 2007). This increment reflects the prosperity of the gaming sector in Macao SAR.

3.89. Under Law No. 1/86/M (amended by Decree-Law No. 35/93/M), Macao SAR offers full or partial tax exemptions to enterprises that engage in activities related to the manufacturing industry, particularly those that promote the domestic industry's growth and development, with a special focus on enhancing productive efficiency and technology level, expanding the product mix, as well as improving other production activities. The tax incentives granted to the manufacturing sectors are in the form of exemptions or reductions of business registration tax, property tax, profit tax, and stamp duties for transfer of fixed assets. Similar incentives are granted to tourism utility infrastructure for the purpose of promoting the development of the tourism sector (Decree-Law No. 81/89/M).

Table 3.12 Estimated tax revenues forgone, 2007-11

(MOP million)

| Tax | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|----------------|----------------|----------------|----------------|----------------|
| Business registration tax | 46.1 | 50.2 | 49.7 | 50.5 | 51.6 |
| Profits tax | 986.6 | 994.5 | 1,290.1 | 1,511.3 | 2,867.1 |
| Property tax | 109.1 | 323.9 | 339.1 | 349.7 | 268.6 |
| Stamp duty for transfer of fixed assets | 2.7 | 76.7 | 62.8 | 82.4 | 65.9 |
| Consumption tax ^a | 34.8 | 20.3 | 1.2 | 3.2 | 3.6 |
| Total | 1,179.2 | 1,465.5 | 1,742.9 | 1,997.2 | 3,256.7 |

a Diplomatic missions and consulates are exempt from the payment of the consumption tax.

Source: Information provided by the authorities of Macao, China.

3.90. Offshore companies are also granted tax incentives; their managers and high-level specialists who have been granted resident permits may be exempted from salary tax for the first three years of employment. A company may enjoy full exemption from all forms of taxes on profits derived from offshore activities.

3.4.3 Non-tax incentives and other forms of assistance

3.4.3.1 Non-tax incentives

3.91. A number of non-tax incentives are available, mainly in the form of support for investment projects through interest rate subsidies.

3.92. Macao SAR offers interest rate subsidies to all locally registered enterprises (except financial institutions/financial service providers or enterprises operating under government concessionaire or sub-concessionaire regime) if they finance their economic activities through bank loans. In accordance with Administrative Regulation No. 10/2011 (amended the Administrative Regulation No. 16/2009), the scope of interest subsidy has been expanded from previously three categories.⁴⁴ Newly added categories are: purchase of computer software for business or production process; purchase of energy-efficient equipment or material, or purchase of energy-management system and its related monitoring or analysing equipment; purchase and installation of heating/cooling system operating on renewable energy; acquisition of intellectual property rights; and capital for signing commercial concession contracts (e.g. franchising contract).

⁴⁴ Until 9 June 2009, enterprises could apply for interest subsidies for: purchase or construction of industrial or commercial premises; expansion/renovation/adaptation of industrial premises; and purchase of equipment, machinery and new dedicated loads-vehicles.

3.93. Under this scheme, eligible enterprises may apply for up to 4% interest rate subsidization⁴⁵: for example, if the loan interest rate is 7%, the borrowing enterprise will only pay the difference, i.e. 3%. The scheme aims to encourage enterprises to engage in investment that is beneficial to domestic economic development, so as to achieve objectives such as diversification and modernization of economic activities; protecting the environment; introducing technological innovation and transformation; and modernizing the premises in terms of operation, safety and/or health conditions. In 2011, a total of MOP 205 million subsidized loans were granted to 71 projects; most projects supported enterprises' investment to purchase premises and machinery for operation (Table 3.13).

Table 3.13 Interest rate subsidy scheme in Macao, China, 2007-11

| 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, and dedicated load-vehicles | Others ^a | |
| 2007 | 7 | 1 | 3 | 4 | 0 | 119,803,738 |
| 2008 | 11 | 3 | 2 | 7 | 0 | 157,854,733 |
| 2009 | 48 | 24 | 12 | 19 | 4 | 163,643,903 |
| 2010 | 79 | 35 | 19 | 34 | 5 | 190,430,443 |
| 2011 | 71 | 30 | 14 | 35 | 8 | 204,590,909 |

a Including purchase of computer software for business or production process; purchase of energy-efficient equipment or material; purchase of energy management system and its related monitoring or analysing equipment; purchase and installation of heating/cooling system operating on renewable energy; acquisition of intellectual property rights as well as capital for signing commercial concession contracts or franchising contracts.

Source: Information provided by the authorities of Macao, China.

3.94. In order to facilitate sustainable development of the local fishery industry, the MSAR operates a Fisheries Development and Support Fund offering interest-free loans to fishermen and owners of fishing vessels. The applicant must be a resident of the MSAR. The loan must be used for, *inter alia*, maintenance and repair of fishing facilities (including ships, fishing gear, freezers, and navigation equipment); participation in research and training activities for fishery technologies; or relief of difficulties caused by natural disasters, epidemics, or fishery moratoriums. A loan amounting to MOP 9,302,000 was approved in 2011.⁴⁶ The share of fisheries in the economy is negligible. According to the authorities, the MSAR does not maintain any domestic support as defined in Article VI of the Agreement on Agriculture.⁴⁷

3.4.3.2 Support to small and medium-sized enterprises (SMEs)

3.95. Given that SMEs play an important role in the economy, supporting SMEs has become one of the Government's long-term policies. The SME assistance schemes, including the SME Aid Scheme, and the SME Credit Guarantee Scheme, were amended in 2009 and 2012, to expand the scope of support. These schemes are open to SMEs with more than 50% of capital held by MSAR residents, at least 1 to 3 years of operations in Macao SAR, number of employees not exceeding 100, no outstanding liability *vis-à-vis* the Government, and having fulfilled their responsibility in the Social Security Fund.

3.96. The SME Aid Scheme offers interest-free financial aid to help SMEs finance: purchase of equipment for operation; renovation, refurbishment, and expansion projects; capital for signing commercial concession or franchising contracts; and acquisition of exclusive rights for use of technology and intellectual property. Support has been provided to help SMEs that are directly affected by natural disasters, epidemic diseases, or dramatic changes in the business environment that prompt operating expenditure hikes or affect operating conditions. From 3 February 2009, financial aid is also provided for SMEs' advertising and promotional activities; capacity enhancing activities; and/or the need for working capital, for example to deal with unforeseen increases in operating costs caused by adverse situations (Table 3.14).

⁴⁵ Eligibility is stipulated in the regulation, and includes: the entity has a tax file and has no outstanding liability, including deferred tax payment; the entity must fulfil its responsibility in the Social Security Fund.

⁴⁶ WTO document G/SCM/N/220/MAC, 5 October 2011.

⁴⁷ WTO document G/AG/N/MAC/30, 27 March 2012.

3.97. Partly reflecting the rapidly changing economic situation, the Government raised the upper loan limit twice during the review period, to assist SMEs to reduce their operating costs, increase their disposable capital, and enhance their competitiveness. The maximum amount of financial aid per enterprise increased to MOP 600,000 on 27 March 2012, up from MOP 500,000 in 2009 and MOP 300,000 in 2006; and the maximum repayment period was extended to eight years, from six years in 2006, in the amended Administrative Regulation No. 2/2009 and No. 11/2012 (effective 27 March 2012).

Table 3.14 Support to SMEs, Macao, China, 2007-11

(Number and MOP million)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------|-------|-------|-------|-------|
| SME Aid Scheme | | | | | |
| Number of approvals | 442 | 1,984 | 1,397 | 446 | 419 |
| Total amount of granted aid assistance | 99.0 | 391.9 | 373.8 | 132.9 | 131.2 |
| SME Credit Guarantee Scheme | | | | | |
| No. of approvals | 3 | 5 | 64 | 80 | 53 |
| Total amount of credit guarantee | 1.3 | 5.0 | 116.4 | 147.1 | 90.3 |
| SME Credit Guarantee Scheme Designated for Special Projects | | | | | |
| No. of approvals | 1 | 2 | 11 | 5 | 2 |
| Total amount of credit guarantee | 1.0 | 1.5 | 10.3 | 3.6 | 2.0 |

Source: Information provided by the authorities of Macao, China.

3.98. Upon approval, the SME Credit Guarantee Scheme provides each SME with a credit guarantee equal to 70% (previously 50%) of the loan approved by participating banks⁴⁸; the maximum guarantee offered was increased to MOP 3.5 million (previously MOP 1.5 million) on 23 June 2009.⁴⁹ The maximum repayment period is five years from the date of signing the loan contract. The amount of credit guarantee provided excludes interest and any other expenses related to repayment of the loan, therefore, the amount of guarantee is based only upon the principal of the loan. The purpose of this scheme is to assist SMEs with acquiring credit from banks for projects such as business model reform and transformation, promotion and publicity of the enterprise's brand, and improvement of product quality.⁵⁰ Credit guarantees have increased significantly since 2008 (Table 3.14), in terms of both application approvals and the amounts involved.

3.99. The SME Credit Guarantee Scheme Designated for Special Projects, unchanged since 2003, guarantees credit of up to 100% to assist SMEs with financing special projects. The scheme also assists SMEs to acquire capital from banks to resolve short-term financial difficulties arising from extraordinary or unpredictable events beyond human control (particularly natural disasters or epidemics).⁵¹ The maximum guarantee offered to each beneficiary is MOP 1 million. In 2009, the MSAR provided about MOP 10 million credit guarantees to SMEs under this scheme.

3.4.3.3 Land allocation

3.100. The scarcity of land in Macao SAR indicates that land allocation can be an important policy instrument. In accordance with the Basic Law, which stipulates that land is State property, Macao SAR no longer sells land. Around 95% of the land in Macao SAR is owned by the Government. The Government is responsible for land management, and its lease or grant to individuals or legal entities for use or development. The Land, Public Works and Transport Bureau (DSSOPT) is the competent authority for land allocation.

3.101. The revision of the Land Law completed its second phase of public consultation on 31 January 2011, and the draft revision was tabled to the Legislative Assembly in December 2012. The revision is expected to improve provisions in the existing law, enhance transparency in land allocation, and optimize land utilization as well as future urban planning.

⁴⁸ Currently 14 banks participate in this Scheme.

⁴⁹ Administrative Regulation No. 19/2009 amended Administrative Regulation No. 19/2003, with effect on 23 June 2009.

⁵⁰ Article 16(1) of the Administrative Regulation No. 19/2003.

⁵¹ Article 16(2) of the Administrative Regulation No. 19/2003.

3.102. Land may be leased "provisionally" for 25 years to investors for industrial or commercial purposes. Though there are no specific restrictions and requirements in the Land Law on the investment amount for land concession, the minimum amount of investment must be specified in the land applications and the investment should be considered by the Government as beneficial to the development of Macao SAR. There are two stages of land lease. The allocation of land lease is "provisional" during the first stage. The land lease will become "definitive" on the condition that lessees satisfy the predefined terms and conditions during the provisional stage (up to 25 years). The "definitive" lease is valid for ten years, and may be renewed every ten years, indefinitely. When the Government grants a concession land lease to a natural/legal person, each lot of land conceded to the person may not exceed 20,000m² with a total area not exceeding 100,000m².⁵²

3.103. The Government no longer allocates land for applications for gaming facilities filed later than end 2008. Regarding the land concessions during the review period, five land lots were granted to the gaming sector; two for urban redevelopment plans; and three for natural gas suppliers.

3.104. The draft revision of the Land Law is intended to enhance transparency in land allocation. It is proposed that land lease allocations must go through public tendering, including investments in public utilities.⁵³ If an investment project meets public interest (such as projects implementing industrial diversification policies), it may be exempted from public tendering; however, advance public hearings must be conducted for these exempted projects.⁵⁴ Public tendering may also be exempted for projects ensuring continuous public services.

3.105. Once a land lease contract is signed, the investor must pay an initial lump-sum premium payment, the calculation of which was revised, in 2007 and 2011, reflecting the development of the local real estate market.⁵⁵ For the initial premium, a cash payment must be made of not less than one third of the total premium. In addition, an annual rent payment is required.

3.106. Stamp duties are exempted for, *inter alia*, transactions of land-lease allocation. Lease renewal is subject to an additional payment by the lessee for a "special duty" amounting to ten times the annual rent payment.

3.4.4 Competition policies and price controls

3.107. The regulatory framework for competition policies remains unchanged since the last Review of Macao SAR in 2007. There is no comprehensive law on competition policies. Relevant provisions are scattered throughout the Commercial Code, and other sector-specific regulations and rules (Chapter 4). The authorities state that the existing provisions are deemed adequate and appropriate given the scale and scope of the local economy (i.e. the economy is dominated by SMEs).

3.108. The Government periodically reviews its competition policy. During the period under review, the Government introduced competition in some public utilities, including bus services and the electricity market, as well as fixed-line telephony services (Chapter 4).

3.109. The authorities indicate that no products are subject to price controls or administered prices. In order to protect public interest, prices of public utilities, *inter alia*, water, electricity, telephone, postal charges, and taxi fares, are regulated or monitored by the Secretary for Transportation and Public Works. Price adjustments must be approved by the respective industrial regulators. There is no differentiation between user groups or industries. In 2008, when aggressive market competition in the gaming sector led to "unreasonable" price level for junkets, the Government set a cap on junket commissions (section 4.3.6).

⁵² The land size limit on lease may be waived for projects based on the public interest, including the implementation of industrial diversification policies. See Article 34 of the Land Law.

⁵³ The allocation for public utility projects is called "specific" allocation, with initial period of lease for 15 years and maximum size of 10,000 square meters. The lease may be renewed every five years, indefinitely.

⁵⁴ See Article 48 of the Land Law revision proposal. Viewed at: http://www.dssopt.gov.mo/uploads/wizdownload/201012/180_hwu5n.pdf [in Chinese].

⁵⁵ MSAR Chief Executive Decision No. 267/2007 and No. 328/2011.

3.4.5 Intellectual property rights

3.4.5.1 Overview

3.110. The Intellectual Property Department of the Macao Economic Services (MES) is responsible for implementing IPR legislation, and the Macao Customs Service is in charge, within the territory, of enforcing legislation and implementing punitive measures regarding IPR violations, combating counterfeiting, and promoting compliance with IP rights and regulations.

3.111. Relevant legislation covering IPR issues includes the Industrial Property Code, and the Copyright and Related Rights Code. An amendment to the Copyright and Related Rights Code⁵⁶ entered into force on 1 June 2012, with the aim of strengthening copyright protection in a digital environment.

3.112. The MSAR is not a contracting party to the Convention Establishing the World Intellectual Property Organization (WIPO). The membership of international treaties administered by WIPO was extended to the MSAR through arrangements between China and WIPO (Table 3.15).⁵⁷

Table 3.15 Membership of international intellectual property rights conventions, 2012

| 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 | Not extended | |
| WIPO Performances and Phonograms Treaty | Not extended | |

Source: Information provided by the authorities of Macao, China.

3.113. Administrative fees for industrial property rights including registration, issuance of certificates, transfer of rights, and annual fees, remain unchanged since 2005.⁵⁸ These fees are relatively low; the authorities state that, in particular, the fee for registration of trade marks was reduced by more than 85% in 2005. For example, it costs MOP 1,000 to register a trade mark and MOP 2,000 for its renewal every seven years. Organizations for collective management of copyright and related rights⁵⁹ may register with the MES for a registration fee of MOP 500 (unchanged since 4 April 2000).⁶⁰

3.114. 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.⁶¹ However, parallel imports of trade marked goods and copyrighted works are not prohibited.

⁵⁶ Law No. 5/2012 modified the Decree-Law No. 43/99/M regulating the protection of copyright and related rights.

⁵⁷ China agreed to take over Portugal's parent position of WIPO membership extended to Macao SAR in 1999 when sovereignty was handed over. Before that, membership of a number of international treaties in the intellectual property field was extended to Macao, China through a formal extension of Portugal's membership.

⁵⁸ For details see the Chief Executive's Decision No. 57/2005. Viewed at: <http://images.io.gov.mo/bo/i/2005/11/despce-57-2005.pdf> (in Chinese and Portuguese) [05.08.2012].

⁵⁹ Organizations for collective management of copyright and related rights are organizations acting in the interest and on behalf of the owner of the right. They must be legal persons with headquarters in Macao SAR, and must be appointed by copyright owners to administer the right licensing, collect royalties, enforce the rights, and represents copyright owners before the court.

⁶⁰ MSAR Chief Executive Decision No. 43/2000, 3 April 2000.

⁶¹ Article 104(1) and 177(2), the Industrial Property Code.

3.4.5.2 Industrial property

3.115. The Industrial Property Code, enacted by Decree-Law No. 97/99/M, entered into force on 6 June 2000. The Code covers all intellectual property rights dependent upon registration, i.e. trade marks; 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 indicate that the Industrial Property Code is being reviewed and amended.

3.4.5.2.1 Patents

3.116. There are two types of patents in the MSAR: invention patents, and utility model patents. Invention patents are protected for 20 years, utility models for a maximum of 10 years.⁶² Industrial designs are protected for 25 years, maximum.⁶³

3.117. Applications submitted to the MSAR for invention patents are required to go through substantive examination by an examination entity appointed by the MSAR authorities. The appointed examiner produces reports on applications. These reports serve as essential references for the MES to decide whether to grant patents in the MSAR. China's State Intellectual Property Office (SIPO) is the only substantive examiner for invention patent applications in the MSAR.⁶⁴

3.118. Holders of invention patents granted by SIPO and protected in China may request extension of their rights to the MSAR. Upon approval by the MES, extended patents have the same legal rights as those granted by the MSAR authorities. The extended rights are counted from the date the MES granted the patents. Similarly, patent applicants, when applying to SIPO, are allowed to extend their application to the MSAR.

3.119. Utility model patents are also required to go through substantive examinations, i.e. by SIPO. However, utility model patent applications must file directly to the Macao Economic Services; utility model patents granted by/applied to SIPO and protected in China may not be extended to Macao SAR.

3.120. During the review period, the number of patent applications in the MSAR fell, while the number of requests for extension of patent rights from Mainland China increased steadily (Table 3.16). Foreign IPRs, for instance, from the United States and Japan, topped the list of applications/extension requests. The MES stated that, under normal circumstances, it takes a maximum of two months to complete formality examinations (e.g. documentation check) for patent applications, and to process extension requests.⁶⁵

Table 3.16 Patent administration in Macao, China, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|------------|------------|------------|-----------|------------|
| Patent applications | 305 | 234 | 132 | 74 | 72 |
| Domestic | 6 | 3 | 4 | 7 | 6 |
| Foreign | 299 | 231 | 128 | 67 | 66 |
| Invention | 292 | 211 | 124 | 62 | 56 |
| Domestic | 1 | 3 | 1 | 4 | 4 |
| Foreign | 291 | 208 | 123 | 58 | 52 |
| Utility model | 13 | 23 | 8 | 12 | 16 |
| Domestic | 5 | 0 | 3 | 3 | 2 |
| Foreign | 8 | 23 | 5 | 9 | 14 |
| Design | 74 | 111 | 105 | 71 | 157 |
| Domestic | 4 | 17 | 6 | 1 | 7 |

⁶² Utility models are protected initially for six years, and protection may be renewed twice with each renewal lasting two years (Article 121, the Industrial Property Code).

⁶³ Industrial designs are protected initially for five years, renewable for the same length of protection to a maximum of 25 years (Article 176, the Industrial Property Code).

⁶⁴ According to the Cooperation Agreement between the MES and China's State Intellectual Property Office (SIPO), SIPO was appointed as the substantive examination entity on 24 January 2003 for patent submitted to the MSAR authorities. This Agreement was valid for five years, and was renewed in 2008 for another five years.

⁶⁵ MES online information Viewed at: http://www.economia.gov.mo/web/DSE/public?nfpb=true&pageLabel=Ln_IP_PP&locale=en_US [03.08.12].

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|-----------|------------|------------|------------|------------|
| Foreign | 70 | 94 | 99 | 70 | 150 |
| Patent granted | 63 | 46 | 116 | 160 | 51 |
| Domestic | 0 | 0 | 1 | 0 | 2 |
| Foreign | 63 | 46 | 115 | 160 | 49 |
| Invention | 63 | 46 | 113 | 156 | 45 |
| Domestic | 0 | 0 | 0 | 0 | 2 |
| Foreign | 63 | 46 | 113 | 156 | 43 |
| Utility model | 0 | 0 | 3 | 4 | 6 |
| Domestic | 0 | 0 | 1 | 0 | 0 |
| Foreign | 0 | 0 | 2 | 4 | 6 |
| Design | 74 | 55 | 76 | 109 | 64 |
| Domestic | 3 | 2 | 15 | 0 | 2 |
| Foreign | 71 | 53 | 61 | 109 | 62 |
| Patent extensions (invention) | 99 | 107 | 141 | 150 | 145 |
| Domestic | 0 | 0 | 2 | 0 | 1 |
| Foreign | 99 | 107 | 139 | 150 | 144 |

Source: Data provided by the authorities of Macao, China.

3.121. Macao SAR notified the WTO in 2009 that it accepted the Protocol Amending the TRIPS Agreement on compulsory licensing under Paragraph 6 of the Doha Declaration.⁶⁶ The authorities reaffirmed that a compulsory licence for pharmaceutical products may be granted only in situations of national emergency or other circumstances of extreme urgency. The Protocol would enter into force for the MSAR upon the acceptance of the Protocol by two thirds of WTO Members. The authorities indicate that the relevant TRIPS provisions on compulsory licensing will be added to the amendment to the Industrial Property Code after review of the legislation.

3.122. No compulsory licences have been granted in the MSAR.

3.4.5.2.2 Trade marks

3.123. During the review period, the number of trade mark applications increased steadily. Foreign applications accounted for the majority of trade mark applications (Table 3.17). The authorities state that registration of trade marks usually takes about six to eight months.

Table 3.17 Trade mark applications, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| New trade mark applications | 7,200 | 7,678 | 6,130 | 6,754 | 8,590 |
| Domestic | 654 | 716 | 670 | 762 | 1,246 |
| Foreign | 6,546 | 6,962 | 5,460 | 5,992 | 7,344 |
| Trade marks granted | 5,056 | 7,979 | 6,371 | 7,042 | 6,870 |
| Domestic | 392 | 667 | 466 | 796 | 821 |
| Foreign | 4,664 | 7,312 | 5,905 | 6,246 | 6,049 |

Source: Data provided by the authorities of Macao, China.

3.124. Trade marks used in the MSAR must be in Chinese, Portuguese, English, or a combination of these languages. This language requirement is not applied to export goods or to trade marks with applicants not domiciled, headquartered or established in the MSAR. Trade marks are protected for seven years, and may be renewed for seven-year intervals, indefinitely.

3.125. Trade mark applications may be denied if the use of the mark may cause ambiguity of, or acquire illegitimate interest from, well-known marks. The decision to deny an application does not depend on whether such a mark is used for similar products/services. To protect well-known trade marks, any interested party may raise an objection to the relevant application for registration within two months of the publication of the trade mark application. Trade mark registration may still be annulled if it was granted in breach of the provision related to well-known trade mark protection, provided that the application of such a well-known trade mark had already been filed in the MSAR before or simultaneously with the annulment.

⁶⁶ WTO document WT/LET/645, 19 June 2009.

3.126. Trade mark right holders may lose their rights if they acknowledged and tolerated the use of similar marks by a third party for three consecutive years. However, bad-faith registrations are not subject to the three-year exhaustion period. Registered trade marks are to be revoked if the mark is not "seriously" used continuously for three years.⁶⁷

3.4.5.2.3 Other industrial property rights

3.127. Names and logos (emblems) of establishments are protected for ten 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).

3.128. An application for registration of geographical indication (GIs) should be accompanied by the name of the product that will use the GI and the regulated conditions for the use of the GI, as well as the limit of the respective region. The provisions relevant to the registration process of names and logos (emblems) of establishment are applicable to GIs. According to current legislation, the protection period for registered GIs is unlimited and renewal is not required. GIs are also protected by legislation governing false indications of origin, for example, under the provisions relevant to unfair competition in the Commercial Code, regardless of registration or whether the GI is part of a registered trade mark. As at end 2011, there had been no application for GIs in the MSAR.

3.129. Topographies of semi-conductor products are protected for ten years after registration or the first day of commercial utilization if the registration day is later than the commercial utilization day. Registration is not renewable. If the topography has been commercially utilized in any place for two years or more, the topography may not be registered; if the topography has not been utilized, the topography may not be registered after 15 years since it was first coded (Article 139). As at end 2011, there had been no application for protection of topographies of semi-conductor products.

3.130. Trade secrets and know-how are protected under the provisions on unfair competition of the Commercial Code (Decree-Law No. 40/99/M); the relevant provisions have remained unchanged since the Law entered into effect in 1999.

3.131. Penalties for industrial property rights violations have not changed since the last Review of Macao SAR. For violation and illegal use of designations of origin or geographical indications, the maximum criminal penalties are a prison sentence of up to two years or a financial penalty ranging from 60 to 120 days of fine. A day of fine is a unit whose value is determined on a case-by-case basis at the discretion of the court, between MOP 50 and MOP 10,000. For the unlawful acts of counterfeiting, imitation, and illegal use of a trade mark, the maximum criminal penalties are a prison sentence of up to three years or a financial penalty ranging from 90 to 180 days of fine.

3.4.5.3 Copyright and related rights

3.132. The newly amended Copyright and Related Rights Code entered into force on 1 June 2012. The authorities note that this amendment enhanced the protection of copyrights and related rights, in particular in the digital environment, and increased the criminal penalties on violations. For example, additional rights are introduced including the right of public transmission by wireless communication or wire-telecommunication. Criminal sanctions against unauthorized communication through public computer networks for business profit of copyrighted works to the public are also introduced.

3.133. The Copyright and Related Rights Code covers any originally creative works, *inter alia*, literary, graphics, computer programs, music, performance, audiovisual creations, radio-transmitted programmes, and architect designs (Article 2). The recognition of copyright is independent of registration, deposit or any other formality. Protection of copyrights and related rights in the MSAR is granted to works first published in the MSAR, or by MSAR residents, or by residents of Members of the WTO and of the Universal Copyright Convention.

⁶⁷ A registered trade mark is considered to be seriously used when it is used by the right holder, his/her registered licensees, or by a third party under the supervision of the right holder and for the purpose of maintaining the registration.

3.134. Works are protected for the life of the author plus 50 years⁶⁸; works whose authors are entities or anonymous are protected for 50 years after publication. Regarding the works also protected by other jurisdictions, protection in the MSAR will not be longer than the period covered by its original protection jurisdiction; for works published in different jurisdictions, the jurisdiction providing the shortest protection period is considered as the original protection jurisdiction. For protection of unpublished works, the regime where the author regularly resides is considered as the original protection jurisdiction.

3.135. Computer programs are protected as copyrighted works. Audiovisual creations are protected for 50 years from publication, and show performances are considered similar to audiovisual creations. 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 (Article 148).

3.136. The amendment of the Law specified that violations through Internet dissemination of copyrighted works without permission from right holders, irrespective of dissemination for commercial or non-commercial purposes, may incur criminal penalties, i.e. up to three years imprisonment or a maximum financial penalty of 360 days of fines (Article 210, 213).

3.4.5.4 Enforcement

3.137. Intellectual property rights in Macao SAR are enforced by administrative action and judicial measures. The Macao Customs Service enforces IPR protection measures at the border and domestically. In addition to inspection and control of trade in compact discs and trade marked goods at the border checkpoints, the Customs is responsible for monitoring the manufacturing process for goods produced in the MSAR, as well as other industrial activities, and activities in the MSAR's industrial and commercial sites. It may act on complaints, or on its own initiative. Penalties are imposed according to IPR legislation, including the Copyright and Related Rights Code, Decree-Law No. 51/99/M (Commercial and Industrial Activities Related to Computer Program, Video and Phonogram), and Decree-Law No. 97/99/M (Industrial Property Code).

3.138. The Customs randomly inspects local optical-disc manufacturing factories and retail outlets. Importers of machinery and materials to manufacture optical-discs must obtain licences issued by the MES (section 3.2.5.2). All retail establishments selling optical media products must obtain prior authorization from the MES; all optical media products manufactured in the MSAR must bear a source identification code. The authorities note that there is currently only one factory in the MSAR producing blank optical discs.

3.139. It appears that the MSAR made significant improvements to protection of copyright materials and other industrial intellectual property, such as patents and trade marks, during the period under review (Table 3.18). The authorities indicate that the Customs' next focus is on piracy activities on the Internet.

Table 3.18 Violations of intellectual and industrial property rights, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|---------------|---------------|---------------|---------------|----------------|
| Prosecution cases | 41 | 22 | 19 | 18 | 28 |
| Confiscation of infringing products | 22,214 | 26,719 | 13,081 | 11,097 | 233,212 |
| Compact discs (pieces) | 4,229 | 23 | 10,451 | 422 | 3,773 |
| Textiles (pieces) | 2,726 | 1,118 | 159 | 7 | 280 |
| Leather products (pieces) | 214 | 30 | 27 | 307 | 284 |
| Watches (pieces) | 4,546 | 0 | 12 | 0 | 0 |
| Other ^a | 10,499 | 25,548 | 2,432 | 10,361 | 228,875 |

a Other includes a wide range of confiscated products that vary during the review period. For example 218,641 medicines and tablets were confiscated in 2011 (accounted for 96% of others), and 8,140 units of cigarettes were confiscated in 2010 (accounted for 79% of others).

Source: Data provided by the authorities of Macao, China.

⁶⁸ Collaborated works are protected until 50 years after the death of last author (Article 22).

3.140. Remedies for intellectual property infringement in the MSAR may be administrative or judicial. Administrative protection is to prevent or stop the infringing activities. In the case of an infringement, the right holder may seek protection from the Macao Customs Service and other empowered entities. The principal measure for remedy of intellectual property infringement is judicial protection. 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.

4 TRADE POLICIES BY SECTOR

4.1 Energy

4.1. Macao SAR imports most of the energy it needs, mainly from Mainland China. Local facilities, such as the local power plants in Coloane Island and Macao peninsula, generate some electricity. The Office for the Development of the Energy Sector (GDSE), under the supervision of the Secretary for Transport and Public Works, was established on 1 January 2005 in accordance with Executive Order No. 11/2005. Its objective is to coordinate activities related to the energy sector, and thus help to secure and ensure a stable, environmentally friendly, and economical energy supply; incorporate energy supplies into regional development; and strengthen power grid interconnections with China through regional cooperation. The Government also continues to promote the use of renewable energy, energy conservation and emission reduction.

4.1.1 Electricity

4.2. With the increasing demand for electricity in Macao SAR due to its rapid economic development, the Government is preparing for a partial liberalization of the electricity market with a view to introducing competition and ensuring a steady supply of electricity.

4.3. Currently the CEM (Companhia de Electricidade de Macau S.A.) is the single operator in the electricity market. The Government holds 8% of its shares, while 84% are owned by two major shareholders: 42% by the Sino-French Group formed by Suez Lyonnaise des Eaux Group and NWS Holdings, and another 42% by the Sino-Portuguese Group with EDP Asia as its major shareholder. China Power International Holding holds 6% of the shares, and local shareholders own the remaining 2%.

4.4. Until 2010, the CEM had the sole concession to generate, transmit, distribute, sell, import, and export electricity in Macao SAR. In November 2010, the Government renewed its concession contract with CEM. The new concession contract, effective 1 December 2010, is valid for 15 years, and will be reviewed every five years. The new contract only extends concessions to downstream transmission, distribution, and sales of electricity. The Government can decide when to introduce competition and open the markets of upstream power generation and importation to investors.¹ Renewable energy is included in the concession contract to promote energy saving. The authorities note that reflecting market development in Macao SAR, the investment return in the new concession contract is lowered from 12% to 9.5%, and the amount of compensation for a power failure rose from 3% to a maximum of 9% of the received electricity tariff.

4.5. The CEM is also responsible for the construction of local power grids: while interconnection is planned by the Government, implementation and construction are carried out by the CEM. The first 220kV interconnection between Macao SAR and Zhuhai power grids entered into service in July 2008, and a second one (also 220kV) in June 2012.

4.6. The electricity tariff, comprising a basic tariff and fuel clause adjustment, is set by the Macao SAR Government after considering advice from the CEM. The authorities considered that the electricity tariff is on par with other Asian economies.

4.7. The CEM is still the sole importer of electricity; electricity imported from Mainland China accounts for about 73% of total electricity consumption in Macao SAR, while the rest is generated locally. The authorities note that there is no specific trade policy on energy; however, import prices must be approved by the Macao SAR Government. The authorities state that there is no subsidy or support provided to the CEM.

4.8. In 2010, the CEM generated 928 GWh electricity (a decrease of 31% over 2009), using heavy fuel oil, diesel oil, and natural gas; imported 2,786 GWh electricity from Mainland China (an increase of 25%); and purchased 94 GWh electricity from the Macao Central Incineration Centre. The CEM sold 3,610 GWh electricity in 2010 to local consumers, and 198 GWh electricity was consumed by the power plant itself, or was lost during transmission.

¹ Government information Bureau (2011), p.75.

4.1.2 Natural gas

4.9. Power generated from natural gas was 63% higher in 2010 than in 2009. The GDSE has started consultations regarding analysis of and amendments to the technical regulations for the natural gas pipeline network and filling stations.²

4.10. Three concessionary companies deal with natural gas in Macao SAR; Sinosky Energy (Holdings) Co. Ltd. is responsible for the importation and transmission of natural gas; Nam Kwong Natural Gas Company is responsible for distribution and sale; and CEM generates electricity using natural gas. These companies propose their own prices, which must be approved by the Government.

4.2 Manufacturing

4.11. As a free port, Macao SAR remains one of the most open economies in the world. However, mainly because of the relatively high production costs pushed up by the small size of the territory and the population, and a prospering tourism and gaming sector (section 4.3), manufacturing continues to shrink, both in absolute and relative terms. Manufacturing's contribution to GDP dropped from 2.9% in 2007 to 0.7% in 2011, and its share of total employment fell from 7.1% to 3.9% (Table 1.1). Merchandise exports declined during the review period (Chapter 1). The textiles and clothing sector in particular has been shrinking fast since the expiration of the Agreement on Textiles and Clothing in 2005 and the abolition of textile quotas. However, the CEPA and the Pearl-River-Delta (PRD) cooperation programmes may provide opportunities for the MSAR manufacturers to relocate and expand their manufacturing bases (Chapter 2).

4.12. According to the annual industrial survey, there were 894 manufacturing establishments operating in Macao SAR in 2011; 88.8% had fewer than 30 workers, while only 2.8% had 100 or more workers. Despite a decrease in the number of factories and persons employed, the production value of manufacturing increased by 9.5% in 2011 (Table 4.1). In the same year, the production value of food products and beverages rose by 18.6%, due mainly to the continuous rise in visitor arrivals. On the other hand, partly reflecting the sluggish demand from the European and U.S. markets, the production value of wearing apparel, an export-oriented industry in Macao SAR, decreased by a further 18.1% from the previous year. The gross capital formation of the manufacturing sector reached its peak in 2010, mainly attributed to the investment surge caused by the expansion of publishing and printing factories.

4.13. The Government has been supporting the manufacturing sector as part of its efforts to diversify the economy. In 2011 the Government set up a product display centre – Macao Ideas – to promote "Made in Macao", "Macao Brand", and "Macao Design" products. The Government has been organizing business and trade fairs, to help manufacturers seek business opportunities. As most manufacturers in Macao SAR are SMEs, support (mainly financial) has been given to develop their own brands, improve their product quality, and facilitate their entry into Mainland China and overseas markets (section 3.4.3.2).

4.14. Considering that manufacturing has been increasingly relocated to areas with lower production costs (including labour and land), the CEPA may provide some room for further development of the manufacturing industry in Macao SAR. The CEPA may enable enterprises to extend their industrial chains and move into more advanced industries, and thus help boost industrial transformation and upgrade. During the review period, although exports under the CEPA increased significantly, more efforts are needed to fully realize the opportunities under the CEPA (Chapter 2).

² Examples 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.

Table 4.1 Structure of the manufacturing industry, 2009-11

(Number and MOP million)

| | Year | No. of factories | Persons employed | Value of production and other receipts | Gross value added | Gross fixed capital formation |
|-----------------------------|------|------------------|------------------|--|-------------------|-------------------------------|
| Total | 2011 | 894 | 12,744 | 6,363 | 1,531 | 169 |
| | 2010 | 905 | 13,599 | 5,813 | 1,466 | 354 |
| | 2009 | 1,002 | 18,208 | 7,787 | 1,674 | 242 |
| Food products and beverages | 2011 | 269 | 3,579 | 1,090 | 424 | 37 |
| | 2010 | 247 | 3,559 | 919 | 372 | 47 |
| | 2009 | 234 | 3,151 | 696 | 275 | 36 |
| Wearing apparel | 2011 | 179 | 4,220 | 1,417 | 270 | 17 |
| | 2010 | 212 | 4,970 | 1,729 | 371 | 3 |
| | 2009 | 272 | 9,264 | 3,587 | 577 | -7 |
| Publishing and printing | 2011 | 143 | 1,344 | 487 | 187 | 33 |
| | 2010 | 143 | 1,470 | 468 | 180 | 245 |
| | 2009 | 126 | 1,377 | 626 | 197 | 23 |
| Other manufacturing | 2011 | 286 | 3,158 | 2,591 | 549 | 67 |
| | 2010 | 289 | 3,204 | 2,379 | 521 | 40 |
| | 2009 | 338 | 3,166 | 1,831 | 470 | 56 |

Source: Macao Statistics and Census Service, Industrial Survey. Viewed at: http://www.dsec.gov.mo/getAttachment/0a5d83bb-e668-40c0-842d-938f8679c584/E_IND_FR_2011_Y.aspx [05/11/12].

4.3 Services

4.3.1 Features

4.15. Macao SAR's economy is dominated by services, relying heavily on gaming and tourism earnings. The services sector accounts for around 90% of GDP and total employment (Table 1.1). Gaming is the biggest subsector, accounting for about 40% of GDP and 20% of total employment. Macao SAR has been transformed into the world's leading gaming destination. The Government has been trying to diversify the economy through facilitating the development of non-gaming services, such as conventions and exhibitions, cultural and creative industries, traditional Chinese medicines, and commercial and trade services (i.e. import and export services). Major constraints facing the economy include the limited amount of land, shortage of labour supply, and small size of the local market. Local enterprises are mostly small and medium sized. Regional cooperation (such as cooperation with Guangdong Province of China) would be an important channel for Macao SAR to overcome its constraints and improve its competitiveness.

4.16. Macao SAR grants most-favoured-nation (MFN) treatment to all WTO Members, without exception. It made no horizontal commitments in the Uruguay Round services negotiations. Its specific commitments under the GATS cover: business services (rental leasing services 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).³

4.17. In 2005 Macao SAR tabled a revised offer in 73 service subsectors⁴, representing a considerable expansion of the scope of potential liberalization compared to its Uruguay Round commitments. Since then, it has not made any other offers in services. The authorities state that this revised offer was submitted as a contribution to the success of services negotiations in the Doha Round, and covered the main services sectors in Macao SAR. The Government will continue to review further offers in services, in accordance with its development level.

4.3.2 Financial services

4.18. The Monetary Authority of Macao SAR (AMCM) supervises Macao SAR's financial services sector, and is responsible for central bank functions. There is no capital market in Macao SAR. The AMCM considers that the financial services sector, which accounts for approximately 8% of the

³ WTO document GATS/SC/50, 15 April 1994.

⁴ WTO document TN/S/O/MAC/Rev.1, 28 July 2005.

MSAR's GDP, is one of the sectors for diversification.⁵ Further development of the financial services sector could be linked with the CEPA arrangement, as the supplementary agreement to the CEPA allows Macao SAR's financial institutions to deepen their cooperation and explore new business opportunities with Mainland China. The Government of China is supporting Macao SAR in widening the scope of RMB business and promoting the SAR's role as an RMB settlement platform in trade and other economic activities between China and Portuguese-speaking countries.

4.3.2.1 Banking

4.19. Since the previous Review of Macao SAR, there have been no significant policy changes in the banking sector. The banking sector remains regulated under the Macao Financial System Act (FSA) (Decree-Law No. 32/93/M of 5 July 1993), while Decree-Law No. 58/99/M of 18 October 1999 regulates offshore activities including the establishment of offshore financial institutions. The FSA is currently under review, and the scope of this review includes: market entry criteria, scope of permitted business activities as well as their prudential limits, appointment of and related liabilities of the members of the Board of Directors and Supervisory Board, requirements of external auditors, requirements for market exit, intervention and liquidation procedures, and punishment for illegal financial activities.

4.20. The banking sector is large and mainly foreign owned. Banking assets account for more than 200% of GDP.⁶ In 2012, there were 29 banks: 26 commercial banks, 1 Postal Savings Bank, and 2 offshore banking units.⁷ Of these banks, 12 were locally incorporated (including the Postal Savings Bank, which is owned by the Macao SAR Government), and 17 were branches of banks incorporated outside Macao SAR (Table 4.2). In addition to the local capital, the banking sector comprises banks from: Mainland China, Chinese Taipei, Hong Kong SAR, Portugal, Singapore, the United Kingdom, and the United States. As of August 2012, the top three banks accounted for 66.5% of total banking sector assets.

Table 4.2 Financial institutions, 2007-12

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|-------|-------|
| Banks | | | | | | |
| Total ^a | 28 | 28 | 27 | 29 | 28 | 29 |
| Local | 12 | 12 | 12 | 12 | 12 | 12 |
| With head-office abroad | 16 | 16 | 15 | 17 | 16 | 17 |
| Number of banking outlets ^b | 160 | 166 | 171 | 177 | 184 | 187 |
| Number of staff | 4,456 | 4,750 | 4,620 | 4,865 | 5,223 | 5,213 |

a Including offshore banks and the Postal Savings Bank.

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

Source: Information provided by the AMCM.

4.21. In Macao SAR, banks engage mainly in traditional banking business, i.e. taking deposits, granting loans, and managing surplus liquidity. Real-estate-related credit continues to account for a significant share in banks' assets.⁸ On the other hand, banks' direct loan exposure to the gaming industry is small, as most of this is financed overseas.⁹ Because of the peg of the local currency to the Hong Kong SAR's dollar and indirectly to the U.S. dollar, and under a free capital account, short-term interest rates in Macao SAR are more or less in line with interest rates in Hong Kong SAR and the United States (Chapter 1).

4.22. Total gross assets of the banking sector (onshore and offshore banking), totalled about MOP 657.4 billion at the end of 2011, up by 21.8% from the previous year (Table 4.3). Credit to customers accounted for 49% of total banking assets; credit granted to residents and non-residents was MOP 167.7 billion and MOP 154.3 billion respectively. A significant portion of the asset expansion was supported by increases in customer deposits, which represented 63% of total

⁵ AMCM (2012a).

⁶ IMF (2011b).

⁷ AMCM (2012b).

⁸ AMCM (2012a).

⁹ IMF (2011a).

sources of funds: including deposits from the private sector (MOP 383.6 billion) and public sector (MOP 29.6 billion).

Table 4.3 Financial highlights of the banking sector, 2007-11

| | Total assets | Credit to customers | Deposits from customers | Interbank assets | Interbank liabilities |
|------|--------------|---------------------|-------------------------|------------------|-----------------------|
| 2007 | 327.7 | 108.6 | 268.2 | 134.2 | 29.4 |
| 2008 | 359.5 | 150.6 | 275.0 | 136.7 | 57.6 |
| 2009 | 427.0 | 186.6 | 306.8 | 167.2 | 86.0 |
| 2010 | 539.8 | 245.7 | 340.0 | 223.9 | 157.0 |
| 2011 | 657.4 | 322.0 | 414.0 | 240.0 | 193.4 |

Source: AMCM (2012), *Annual Report 2011*. Viewed at: http://www.amcm.gov.mo/Annual_Reports/cReport.htm [17/08/2012]; and information provided by the authorities of Macao, China.

4.23. In 2011, profitability of the banking sector increased: gross interest income grew by 44.2% to MOP 12.8 billion, and net-interest income grew by 26.1% to MOP 6.6 billion. Non-interest income increased by 58.3% to MOP 6.2 billion. However, operating expenses also grew rapidly, by 47.3% to MOP 7.7 billion; banking costs increased, due largely to market fluctuation on derivatives operations, which, at the same time contributed to the increase in non-interest income. Overall, operating profits of the banking sector surged by 29.6% in 2011 to MOP 5 billion (Table 4.4).

Table 4.4 Profitability of the banking sector, 2007-11

(MOP million)

| Operating results | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|--------|--------|-------|-------|--------|
| Interest incomes | 14,237 | 13,404 | 8,257 | 8,845 | 12,756 |
| Interest costs | 9,941 | 8,332 | 4,075 | 3,604 | 6,150 |
| Net interest incomes | 4,296 | 5,072 | 4,182 | 5,240 | 6,606 |
| Other income | 3,760 | 4,955 | 5,205 | 3,888 | 6,153 |
| Operating costs | 4,046 | 6,690 | 5,881 | 5,245 | 7,726 |
| Operating profits | 4,010 | 3,337 | 3,507 | 3,884 | 5,033 |
| Cash flow | 4,674 | 4,867 | 4,376 | 5,044 | 6,466 |

Note: Including the offshore sector and the Postal Savings Bank, excluding the non-bank credit institutions. Figures for 2011 are preliminary.

Source: AMCM (2012), *Annual Report 2011*. Viewed at: <http://www.amcm.gov.mo/AnnualReports/cReport.htm> [17/08/2012].

4.24. Benefiting from positive economic development and a prospering market environment, the NPL ratio remained low, at 0.3% at end-August 2012, down from 0.4% at end 2011. The consolidated capital adequacy ratio for the ten locally incorporated banks (excluding a locally incorporated offshore bank and government-owned Postal Savings Bank) reached 13.9% at end-August 2012. All of these banks met the 8% minimum capital adequacy requirement set by the Basel Committee on Banking Supervision of the Bank for International Settlements, reflecting the solvency position of banks in Macao SAR.

4.25. Prior to October 2008, Macao SAR had no deposit insurance scheme. During the global financial crisis, following measures taken by neighbouring economies, the Government announced that it would provide full protection to customer deposits held with all banks authorized in the MSAR, until the end of 2010.¹⁰ The protection measures were extended on 1 January 2011, although maximum protection was adjusted to MOP 500,000. A Deposit Protection Scheme Law (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 from January 2014, banks are required to contribute a yearly payment equivalent to 0.05% of the total deposit of all accounts with a balance over MOP 500,000.

4.26. Offshore financial businesses, including credit institutions, insurers and offshore trust management companies, are regulated and supervised by the Monetary Authority of Macao

¹⁰ IMF (2011a).

(AMCM). Offshore financial institutions may only transact with non-residents in currencies other than the local currency, and are exempted from profit tax and business registration tax. At the end of August 2012, there were two offshore banks, both from Portugal. Their total assets, MOP 29.1 billion, accounted for 3.8% of consolidated assets of the banking sector in Macao SAR.

4.27. Non-bank financial institutions include 12 money changers. Development of the tourism industry has led to the growing demand for foreign currency exchange services; the six gaming operators are authorized to set up exchange counters in their self-owned properties. There are also two cash remittance companies, and two authorized financial intermediaries (both are branches of licensed corporations in the HKSAR) providing mainly stock brokerage services.

4.28. The legislative and regulatory framework on anti-money-laundering (AML) and combatting the financing of terrorism (CFT) remains unchanged since the previous Review.¹¹ In August 2011, the IMF found that the AML/CFT measures in Macao SAR were sound, but lacked the necessary level of detail to comply with certain IMF recommendations. In particular, the existing customer due diligence obligations need to be strengthened, and financial institutions should be required to verify the identity of persons on whose behalf a customer is acting.¹² In 2007, the most recently released mutual evaluation report by APG (the Asia/Pacific Group on Money Laundering) and OGBS (Offshore Group of Banking Supervisors) considered the AML/CFT measures adopted by Macao SAR were basically satisfactory. Some areas like confiscation/freezing measures, customer due diligence, mutual legal assistance, international cooperation, and non-profit organizations (NPO) required some enhancement.¹³

4.3.2.2 Insurance

4.29. There has been no significant policy change to the insurance sector since the previous review. The AMCM authorizes and monitors insurance companies.¹⁴ Main legislation includes the Macao Insurance Ordinance (Decree Law No. 27/97/M), and the Macao Insurance Agents and Brokers Ordinance (Decree Law No. 38/89/M as amended by Administrative Regulations No. 27/2001).

4.30. The insurance market is small, in line with the territory and population. The sector has a high concentration: as at 30 June 2012, there were 11 life insurers and 12 non-life insurers. The biggest three major life insurers accounted for 66.6% of the market, while the biggest three major non-life insurers accounted for 68.1% of the market. There is significant foreign participation. Among the 23 insurers, eight are local companies, six are from Hong Kong SAR, four from Bermuda, two from Portugal, and one each from China, Australia, and Canada. Overseas insurers accounted for 86% of the life insurance market, whereas local insurers had 71% of the non-life insurance market.¹⁵ Insurers are not allowed to conduct both life and non-life business.

4.31. In accordance with the Insurance Ordinance, insurance companies may be licensed as: a locally incorporated company, a branch with its head office overseas, or a representative office. While a locally incorporated company or a branch of a foreign insurance company may conduct insurance business in Macao SAR, a representative office of an overseas insurance company may not. For an insurer incorporated in Macao SAR, 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 SAR are MOP 7.5 million to conduct life insurance and MOP 5 million to conduct non-life insurance. 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.

4.32. The AMCM regulates the conditions and premium rates of compulsory classes of insurance, i.e. motor vehicle (third-party risks), employees' compensation, professional liability for travel agents, professional liability for lawyers, public liability related to the fixing of billboards, and

¹¹ For details of Macao SAR's AML and CFT regulatory framework, please see WTO (2007).

¹² IMF (2011a).

¹³ APG and OGBS (2007).

¹⁴ The AMCM also regulates pension funds in accordance with the Legal Framework of Private Pension Funds (Decree-Law 6/99/M as amended by Law No. 10/2001). The MSAR has one pension fund management company, and seven life insurers which also manage pension funds.

¹⁵ AMCM (2012c).

public liability for pleasure vessels. Regarding non-compulsory insurance, insurers are free to design their own insurance cover and set their own premium rates.

4.33. The insurance sector developed rapidly during the period under review. Despite a drop around 2008-09, gross premiums for both life and non-life insurance increased, and total gross premium income reached MOP 4.4 billion (about US\$554 million) in 2011, up 15% from 2010 (Table 4.5). The insurance penetration rate, however, declined from 1.9% in 2009 to 1.7% in 2010 and 1.5% in 2011, as the GDP of the economy has been growing at an even faster rate.

Table 4.5 Composition of gross premiums, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|------------------|------------------|------------------|------------------|------------------|
| Life | 2,253,975 | 2,547,740 | 2,331,637 | 2,685,108 | 3,137,415 |
| Non-life | 972,873 | 897,687 | 931,529 | 1,087,010 | 1,214,893 |
| Total | 3,226,848 | 3,445,427 | 3,263,166 | 3,772,118 | 4,352,308 |

Source: AMCM, Presentation on the regulatory framework of insurance in Macao SAR, 21 June 2012.

4.3.3 Telecommunications

4.34. Mobile telecommunication and internet-related services were liberalized in 2001¹⁶, and in 2009 the Government reviewed the concessionary agreement with Companhia de Telecomunicações de Macau (CTM), a private company, and liberalized local and international leased circuit services and transit services. As of 1 January 2012, the fixed-line telecom service was liberalized. Hence the telecommunication sector in Macao SAR has been fully liberalized since 2012. As part of the liberalization process, the Government launched a public tendering for the licence to the install and operate the fixed public telecommunications network in early 2012. The tendering process had not been completed by the time this report was finalized. The entity that obtains the licence may provide bandwidth to local and overseas licensed operators; it is required to commence services within 18 months of obtaining the licence.

4.35. The telecommunication sector remains regulated by the Bureau of Telecommunications Regulations (DSRT). Major legislation includes the Basic Telecommunications Law, which established the basis of telecommunication policies and the general regulatory framework in Macao SAR. Licensing arrangements, as well as the governance of the operation of telecom services are defined in Administrative Regulation No. 7/2002 for mobile telecom services, Administrative Regulation No. 24/2002 for internet services, and Administrative Regulation No. 41/2011 for fixed public telecom network (Table A2.1).

4.36. During the review period, the mobile telecommunication services sector continued to expand, while the fixed-line sector started to contract (Table 4.6). The mobile penetration rate grew to 241.6% in 2011. Currently, there are five mobile operators including 1 MVNO (mobile virtual network operator), 8 internet service providers (ISPs), and 14 internet content providers (ICPs).¹⁷ Despite liberalization, there remains only one fixed-line telecom services supplier, the CTM, as the issuance of the new fixed-line licence is still in progress. In 2009, the Government issued its fourth 3G mobile licence: China Unicom (Macao), Hutchison Telephone (Macao), CTM, and SmarTone Mobile Communications (Macao) are allowed to provide public networks for terrestrial 3G mobile telecommunications and roaming 3G mobile telecommunication services.¹⁸

4.37. The authorities state that there are no explicit restrictions on foreign ownership in basic telecommunication services related subsectors.

¹⁶ WTO (2007).

¹⁷ The authorities note that the Herfindahl-Hirschman Index (HHI) for Macao SAR's mobile telecommunications market was 0.334 at August 2012. The HHI index indicates the degree of market concentration: an HHI close to 1 indicates monopoly, and an HHI close to 0 means full competition.

¹⁸ Government Information Bureau (2011), p.434.

Table 4.6 Telecommunication market, 2006 and 2011

| | 31 Dec 2006 | 31 Dec 2011 | Change (%) |
|---|-----------------------------|-----------------------------|------------|
| Mobile operators (including MVNO) | 5 | 5 | 0 |
| Mobile phone subscribers | 636,347 | 1,353,194 | 112.7 |
| Mobile penetration | 124.0% | 241.6% | 94.8 |
| Mobile monthly subscription fee (basic package) | MOP 98 | MOP 98 | 0 |
| Fixed telephone lines | 176,665 | 165,536 | -6.3 |
| Annual international outgoing telephone traffic | 216 million minutes | 299 million minutes | 38.4 |
| Internet service providers | 8 | 8 | 0 |
| Internet content providers | 10 | 14 | 40 |
| Internet subscribers | 105,291 | 138,222 | 31.3 |
| Annual internet usage | 122 million hours | 527 million hours | 332 |
| Internet household penetration | 78.00% | 76.83% | -1.5 |
| Internet monthly subscription fee (basic package) | MOP 88 (with 60 free hours) | MOP 68 (with 70 free hours) | -22.7 |
| International internet bandwidth (Mbps) | 3443 | 19,251.20 (18.8GB) | 459 |
| Private leased circuits (international leased circuits) | 8,941 | 13,947 | 56 |
| Annual telecom investment ^a | MOP 343 million | MOP 597 million | 72.5 |
| Total telecom services revenue ^a | MOP 2,188 million | MOP 5,391 million | 146 |

a 2011 audited accounts are not yet available from operators.

Source: Information provided by the authorities of Macao, China.

4.38. Tariffs for fixed or mobile telecommunication services must be approved by the DSRT. Regarding internet services, the DSRT prevents internet service providers (ISPs) from changing their tariffs only when it is found to be anti-competitive in nature or is against the public interest in general. Interconnection charges are determined via commercial agreement. In accordance with the current regulations, network operators must provide interconnection if it is technically feasible, safety of network equipment is ensured, and corresponding regulations are followed. In the event that a mutual agreement cannot be reached, the Government, in order to ensure service is maintained, may step in and mandate interconnection terms and conditions that both parties must adhere to.

4.39. The DSRT is reviewing competition-related provisions, which are scattered throughout different regulations and laws, with a view to enhancing and consolidating these provisions to maintain and promote effective competition in a fully liberalized market. Article 8 of 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.

4.40. In Macao SAR, telecom access service operators are mandated to provide full coverage for their licensed services within a certain timeframe from the commencement of operations. All operators basically cover the whole area of the territory.

4.41. Licensed operators currently pay a royalty totalling 5% of all revenue from licensed services, and are subject to a radio spectrum fee for spectrum usage. No specific tax incentives are provided to telecommunication operators.

4.3.4 Transport

4.42. Macao SAR's transport services have been developing quickly to cope with the increasing number of visitor arrivals. Land and sea transport remain the leading modes of transport: in 2011, 54.6% of visitors arrived by road and 39.4% by sea. On the other hand, transport of goods has, in general, been declining (Table 4.7).

Table 4.7 Visitor arrivals by mode of travel, and transport of goods, 2007-11

| | 2007 | 2008 ^a | 2009 | 2010 | 2011 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total visitor arrivals | 26,992,995 | 22,933,185 | 21,752,751 | 24,965,411 | 28,002,279 |
| By sea | 8,980,381 | 9,173,206 | 8,684,809 | 10,244,087 | 11,020,999 |
| (% of total) | 33.3% | 40.0% | 39.9% | 41.0% | 39.4% |
| By road | 16,538,860 | 12,094,752 | 11,448,843 | 13,087,262 | 15,299,600 |
| (% of total) | 61.3% | 52.7% | 52.6% | 52.4% | 54.6% |
| By air | 1,473,754 | 1,665,227 | 1,619,099 | 1,634,062 | 1,681,680 |
| (% of total) | 5.5% | 7.3% | 7.4% | 6.5% | 6% |
| Containerized cargo (tonne) | | | | | |
| Seaborne | 329,288 | 328,196 | 180,413 | 178,380 | 182,959 |
| Import | 230,071 | 253,341 | 145,680 | 147,030 | 156,767 |
| Export | 54,880 | 53,937 | 22,682 | 19,498 | 21,526 |
| Transit | 44,337 | 20,918 | 12,051 | 11,852 | 4,667 |
| By road | 75,835 | 104,312 | 51,694 | 45,718 | 35,093 |
| Import | 37,662 | 70,403 | 24,887 | 24,218 | 18,716 |
| Export | 10,439 | 10,286 | 13,727 | 4,805 | 5,843 |
| Transit | 27,734 | 23,623 | 13,080 | 16,695 | 10,534 |
| Air cargo (tonne) | 180,936 | 100,768 | 52,464 | 52,166 | 39,524 |
| Import | 22,758 | 16,705 | 13,257 | 13,597 | 9,826 |
| Export | 69,625 | 41,548 | 28,729 | 32,361 | 24,950 |
| Transit | 88,553 | 42,515 | 10,478 | 6,208 | 4,748 |
| Seaborne container throughput (TEU) | 138,685 | 126,335 | 88,548 | 91,318 | 101,989 |
| Commercial flights | 49,441 | 46,036 | 37,177 | 34,654 | 35,404 |
| Arrivals | 24,742 | 23,009 | 18,581 | 17,327 | 17,703 |
| Departures | 24,699 | 23,027 | 18,596 | 17,327 | 17,701 |
| Cross-border automobile traffic | 3,807,517 | 3,785,863 | 3,508,159 | 3,812,243 | 4,135,910 |
| In | 1,905,677 | 1,888,457 | 1,747,823 | 1,900,933 | 2,047,054 |
| Out | 1,901,840 | 1,897,406 | 1,760,336 | 1,911,310 | 2,088,856 |
| Ferry trips | 105,105 | 105,289 | 131,595 | 147,200 | 146,060 |
| Arrivals | 52,359 | 52,298 | 65,493 | 74,122 | 73,075 |
| Departures | 52,746 | 52,991 | 66,102 | 73,078 | 72,985 |

a From 2008 visitor arrivals exclude non-residents, (non-resident workers and students).

Source: Macao Statistics and Census Service.

4.3.4.1 Maritime transport

4.43. Maritime transport is regulated under Decree-Law No. 109/99/M (regulation on maritime trade), Decree-Law No. 90/99/M (law on maritime activities), and Decree-Law No. 14/99/M (regulation on maritime pilotage). There have been no changes to these laws since the previous Review of Macao SAR.

4.44. Maritime transport remains by far, the dominant mode for international trade; it is still recovering from the global financial crisis (Table 4.7). In 2011, 101,989 TEUs (twenty-foot equivalent units) were shipped in and out of Macao SAR by sea, an increase of 11.7% from 2010. Maritime transport of persons has been increasing rapidly. The Outer Harbour Ferry Terminal, Taipa Ferry Terminal, and Inner Harbour Ferry Terminal provide cross-border transportation services for passengers travelling between Macao SAR, Hong Kong SAR, and Mainland China.

4.45. Maritime passenger transport is regulated in accordance with Administrative Regulation No. 34/2009.¹⁹ Currently, scheduled passenger ferries are operated by six shipping companies. Four of these (FEH Company Limited, Hong Kong Macao Hydrofoil Company Limited, STCT Ferry Services (Macao) Limited, and Cotai Ferry Company Limited) operate passenger ferries between Macao SAR and Hong Kong SAR. Another two (Shun Tak China Travel Ship Management (Macao) Limited and Yuet Tung Shipping Company Limited, operate between Macao SAR and the cities in the Pearl River Delta (e.g. Zhuhai and Shenzhen) in Guangdong Province of China. The authorities note that all passenger ferry operators are commercial enterprises, with no public funds.

¹⁹ Administrative Regulation No. 34/2009 on Maritime Passenger Transport. Viewed at: http://www.marine.gov.mo/legis/index_c.html [07/11/12].

Competition among passenger ferry operators is regulated under Articles 156-172 of the Commercial Code.

4.46. The Maritime Administration, a bureau under the Secretary for Transport and Public Works, regulates domestic and international maritime transport services, including harbour management, ship registration, crew management, state control of ports, approval of maritime engineering projects, and wharf operations. The authorities note that shipping tariffs on goods transport are set by carriers, and are not subject to Government regulation. However, shipping tariffs on passenger transport require approval from the Maritime Administration: Article 13 of the Administrative Regulation No. 34/2009 stipulates that operators 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 Maritime Administration for approval. Tariff tables are subject to adjustment annually, with approval from the Maritime Administration, based on the change of fuel prices and the MSAR CPI index.

4.47. By law, all vessels engaged in economic activities must be registered with the Maritime Administration (for the registration of ships and the monitoring of ship safety), and the Commercial and Movable Goods Registry (for the registration of the legal status of ships). Through registration, the Government verifies the vessels' conformity with official requirements on technology, safety, and environmental protection. Where applicable, Macao SAR registered ships must comply with the regulations of international conventions. At the end of 2011, 302 vessels were registered, including 5 registered during the year. Most of the vessels that call at the port of Macao SAR are river-trade vessels flying either the national flag of Mainland China or the regional flag of Hong Kong SAR. For vessels to fly the flag of Macao SAR the owner must be a Macao SAR resident or legal person; the shipmaster and senior officer must be Macao SAR residents, and one business address must be set up in Macao SAR.

4.48. The Maritime Administration provides pilot services for vessels entering and leaving Macao SAR 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, and pilots must be Macao SAR residents.

4.49. Macao SAR joined the International Maritime Organization (IMO) as an associate member in 1990. International treaties on maritime safety and the prevention of pollution are enforced in Macao SAR.

4.3.4.2 Land transport

4.50. More than half of visitors arrive in Macao SAR by road, although the weight of goods transported by road only reaches 20% of goods transported by sea (Table 4.7). The Transport Bureau, set up in 2008, 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.

4.51. Three land routes link Macao SAR and Mainland China: the Border Gate, the Lotus Bridge, and the Zhuhai-Macao Cross-border Industrial Zone. In 2011, more than 15 million visitors arrived in Macao SAR by land, of which 92.6% entered via the Border Gate, 7.4% via the Lotus Bridge, and 0.2% via the Zhuhai-Macao Cross-border Industrial Zone, which officially commenced operation in October 2006.

4.52. The land freight transport market is relatively competitive in Macao SAR. In 2010, 109 land transport operators were registered as establishments, and 670 operators under sole proprietorship (i.e., truck owners engaging in freight transport).²⁰

4.53. To encourage competition and improve the major means of mass public transport (bus services), the Government opened a public tender in 2010, when the concession contracts for the two bus operators (Transmac and STCM) expired. From August 2011, bus services are provided by three operators: Transmac, STCM, and Reolian. Supplementary public passenger transport services - taxi services - are provided by both small private operators holding taxi licences (as at

²⁰ The 109 land transport operators include passenger and freight transport operators (DSEC, 2011).

August 2012, 980 taxi licences had been issued through public tender), and Vang Iek Radio-Taxi Co. Ltd, which mainly provides on-call taxi services.

4.54. With a view to prioritizing public transportation the Government decided to develop a light rapid transit (LRT) system. The construction programme for phase 1 began in 2009; the LRT system is expected to be in service in 2015.

4.3.4.3 Air transport

4.55. Around 7% of visitors arrive in Macao SAR by air (Table 4.7). The aviation industry underwent significant changes during the review period. Before 2008, cross-strait flights between Chinese Taipei and Macao SAR accounted for 70% of the market. In 2008, cross-strait direct flights between Chinese Taipei and Mainland China was allowed, which lowered the demand for people to travel from Mainland China via Macao SAR to Chinese Taipei, and vice versa. Thus the transit market declined, causing overall passenger numbers and cargo volumes to slide. After 2009, passengers from China became the biggest source for Macao SAR's aviation industry. In 2011, 34% of passengers arriving in Macao SAR by air were from China, and 31% from Chinese Taipei. There are currently 20 airlines operating 33 regional and international routes in Macao SAR, more than half of these routes to China. In 2011, when the passenger market seemed to stabilize, the cargo market continued to deteriorate (Table 4.8).

Table 4.8 Air transport in Macao, China, 2006-11

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of movements | 51,049 | 53,386 | 49,766 | 40,601 | 37,148 | 38,946 |
| Growth (%) | 13% | 5% | -7% | -18% | -9% | 5% |
| Number of passengers | 4,976,093 | 5,498,879 | 5,097,821 | 4,250,140 | 4,078,839 | 4,045,014 |
| Growth (%) | 17% | 11% | -7% | -17% | -4% | -1% |
| Cargo (ton) | 220,573 | 180,935 | 100,766 | 52,462 | 52,165 | 39,524 |
| Growth (%) | -3% | -18% | -44% | -48% | -1% | -24% |

Source: The Airport Management Company, ADA.

4.56. The Civil Aviation Authority of Macau (AACM) remains the regulator responsible for implementing air transport policies, regulating all the relevant players in the sector, negotiating Air Services Agreements (ASAs), issuing licences, ensuring technical safety of the civil aviation infrastructure, and carrying out inspections of all civil aviation activities in Macao SAR's airspace. 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 (Table A2.1).

4.57. Macao SAR's aviation industry began in 1995, when a concession for public air transport was granted to Air Macau, giving it the exclusive right to operate both passenger and cargo flights from and to Macao for 25 years. However, this concession does not prevent non-local carriers flying from, to, and through Macao under rights negotiated in relevant ASAs. Air Macau is a joint venture with 51% of its shares owned by the CNAC (China National Aviation Corporation (Macao) Co. Ltd.), 21% by the Macao SAR Government, 14% by the STDM (Sociedade de Turismo e Diversões de Macau (Shun Tak Holdings)), 5% by the Evergreen Airways Service (Macao) Ltd, and 9% by other investors. Air Macau flies to 19 destinations throughout Asia, and carries about 35% of passengers and 45% of cargo transported from and to Macao SAR. The authorities indicate that Air Macau itself decides whether to operate a particular route, based on market considerations. Civil servants and/or government-related cargoes are not obliged to fly Air Macau.

4.58. The Government advocates an open sky policy. As of March 2012, Macao SAR had signed or initialled 47 ASAs (Table A4.1); the authorities state that these ASAs have quite liberal clauses, demonstrating Macao SAR's willingness to exchange liberal traffic rights (such as fifth or other more liberal freedoms) in addition to the traditional third and fourth freedom air-traffic rights. With regard to cargo transportation, the seventh freedom was exchanged with Iceland, Singapore, and the United States.²¹ Macao SAR allows ASA counterpart airlines majority owned by foreign capital

²¹ WTO document WT/TPR/M/181/Add.1, 19 June 2007, p.56.

to operate to the MSAR as long as they use the counterpart's territory as principal place of business.

4.59. Challenges faced by the aviation sector include: capacity constraints, close proximity to bigger rivals in the region, and increasingly tight air space. Macao SAR 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, which are already well-established in the region. The Government considers that the development of its aviation industry may only be achieved through attracting more non-local airlines to operate from, to, and through Macao, making Macau International Airport an aviation gateway in the region, while retaining sufficient flexibility for the future development of the locally incorporated Air Macau.

4.60. Macao SAR has one international airport, the Macau International Airport, which started operating in 1995. Under a concession agreement, the Macau International Airport Company Limited (CAM) has the exclusive right to operate the airport until 2039. CAM was responsible for the airport construction, and is now responsible for its operation. CAM is a private company in which the Government has the majority 55.4% stake, the STDM (Sociedade do Turismo e Diversões de Macau) has a 33.03% share, and the remaining shares are owned by a number of mainland Chinese and local businesses and institutions. The authorities note that there is no subsidy from the Government to the airport. The Government acquires equipment for enhancing the safety and security systems of the airport, including security equipment (x-ray, CCTV, access control system) and communication equipment (AMHS, NETRIX, TES systems).

4.61. CAM may subcontract airport services to other companies through public tenders. Currently there are seven sub-concessions, for the provision of ground handling, catering, fuel supply, duty-free shops, general aviation handling services, airport restaurant, and security. All sub-concessions were granted after a process of public tender. In 2008, the Government decided not to extend the exclusive operational period for all the service providers with sub-concession contracts at the airport. Therefore, once the exclusive right contracts with these service suppliers expire, a new bidding process will start, which may bring more competition to the sector.

4.62. Under an existing sub-concession contract, ADA (Administration of Airports) manages the airport, including slots arrangement. Once an airport access application is approved by the AACM (the Civil Aviation Authority of Macau), slots are allocated on a first-come-first-served basis with priority given to scheduled flights. ADA is a Sino-Portuguese joint venture between China National Aviation Corporation (Macao) Company and Aeroportos de Portugal (ANA). Services provided by the ADA include airport and terminal building management, air traffic control, aeronautical information and communication services, airport and air navigation system maintenance, security and safety control, as well as the commercial and financial management of the airport.

4.63. The current sub-concessionary company for aircraft repair and maintenance services is only certified to service one type of aircraft, hence aircraft may be maintained and repaired by the airline companies themselves or outside Macao SAR at 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.

4.64. There has been increasing competition from airports in the nearby Pearl River Delta (PRD) region. The Macau International Airport's designed passenger capacity is 6 million annually, and designed cargo capacity is 165,000 tonnes annually. In 2011, the utilization rate was about 67% for passengers and 24% for cargo. The Government is considering possibilities to cooperate and coordinate with other airports in the region, and expanding the airport. The Government expects that better infrastructure (such as the inter-city high-speed LRT system and the Hong Kong-Zhuhai-Macao bridge) connecting Macao SAR with adjacent areas in the Pearl River Delta, will bring greater market potential, and feed traffic to Macau International Airport, particularly from the west bank of the delta. Therefore in anticipation of future growth, the Government is now finalizing an airport master plan, which aims at transforming Macau International Airport into a multi-modal transportation hub in the region.

4.3.5 Tourism

4.65. The Government aims to build Macao SAR into a world tourism and leisure centre. During the review period, the tourism sector grew, and total visitor expenditure increased steadily (Table 4.9).

Table 4.9 Economic impact of travel and tourism, 2007-11

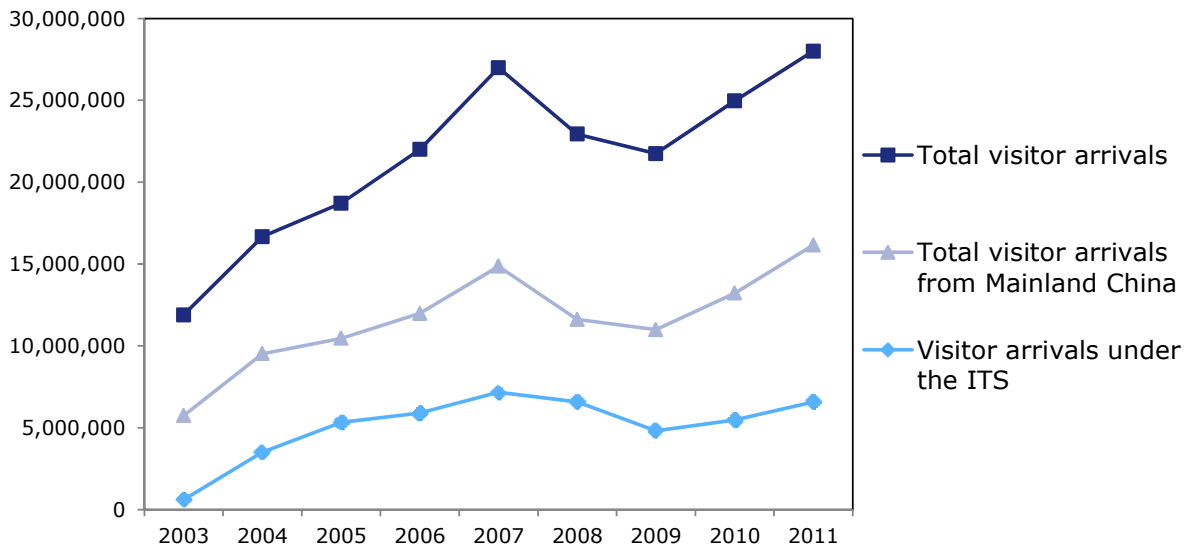
(MOP million unless otherwise indicated)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------|-----------|-----------|-----------|-----------|
| Total visitor expenditure (in chained 2010 dollars) | 125,527.5 | 143,444.6 | 149,755.3 | 221,494.3 | 288,582.8 |
| Gaming expense | 92,551.3 | 111,825.7 | 121,149.1 | 186,841.5 | 251,444.0 |
| Accommodation | 4,424.7 | 4,853.0 | 5,190.3 | 6,182.7 | 7,088.2 |
| Other expense | 28,551.5 | 26,765.9 | 23,415.9 | 28,470.1 | 30,050.6 |
| Per-capita spending (MOP) | 1,637 | 1,729 | 1,616 | 1,518 | 1,619 |

Source: Statistics and Census Services, Financial Services Bureau, Macau Government Tourist Office.

4.66. The sources of visitors have changed since 2003, when the CEPA allowed residents from Mainland China to apply for a pass to visit Macao SAR on an individual basis under the facilitated Individual Traveller Scheme (ITS). The number of Chinese tourists has increased significantly and reached a peak in 2007. In 2008, China tightened visa control for Mainland China's residents wishing to visit Macao SAR under the ITS. Partly reflecting this visa policy, and partly reflecting the global financial crisis, the number of visitors dropped. Tourist arrivals (including tourists from China) rebounded after 2009 when the MGTO launched the Plan to Support Macau Tourism Industry. Between 2004 and the end of 2011, a total of 45 million Mainland China visitors visited Macao SAR under the ITS scheme, representing 46% of all visitors from China and 25% of total visitors to Macao SAR (Chart 4.1).

Chart 4.1 Visitor arrivals, 2003-11



Note: Visitor arrivals from 2008 exclude non-residents, non-resident workers and students.

Source: Data provided by the authorities of Macao, China.

4.67. In 2011, the visitor arrivals increased further, to 28 million. Visitors from Mainland China and Hong Kong SAR accounted for more than half, and almost one third of the total, respectively (Table 4.10).

Table 4.10 Visitor arrivals, by source, 2007-11

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------|------------|-------------------|------------|------------|------------|
| Total visitor arrivals | 26,992,995 | 22,933,185 | 21,752,751 | 24,965,411 | 28,002,279 |
| Growth rate (%) | 22.7 | n.a. ^a | -5.2% | 14.8% | 12.2% |
| Source | | | | | |
| Mainland China | 14,866,391 | 11,613,171 | 10,989,533 | 13,229,058 | 16,162,747 |
| % of total | 55.1% | 50.6% | 50.5% | 53% | 57.7% |
| ITS | 7,165,211 | 6,584,657 | 4,809,878 | 5,486,173 | 6,588,722 |
| % of total | 26.5% | 28.7% | 22.1% | 22% | 23.5% |
| Hong Kong, China | 8,174,064 | 7,016,479 | 6,727,822 | 7,466,139 | 7,582,923 |
| % of total | 30.3% | 30.6% | 30.9% | 29.9% | 27.1% |
| Chinese Taipei | 1,444,082 | 1,315,865 | 1,292,551 | 1,292,734 | 1,215,162 |
| % of total | 5.4% | 5.7% | 5.9% | 5.2% | 4.3% |
| Other | 2,508,458 | 2,987,670 | 2,742,845 | 2,977,480 | 3,041,447 |
| % of total | 9.3% | 13.0% | 12.6% | 11.9% | 10.9% |

n.a. Not applicable.

a Visitor arrivals from 2008 exclude non-residents (such as workers and students). The number of total visitor arrivals in 2008 is not comparable with that of 2007.

Source: Statistics and Census Service.

4.68. The Macao Government Tourist Office (MGTO) helps to formulate and implement tourism policies, protecting and enhancing the value of Macao SAR's tourism resources, and enriching and diversifying its tourism products. It carried out the Strategic MICE Market Stimulation Programme in 2010 and 2011.

4.69. Fees to renew licences of establishments such as hotels, restaurants, and travel agents, and work permits for tour guides and ground transfer agents, were suspended in 2009. In accordance with Administrative Regulation No. 12/2010, renewal fee suspension applied to establishments, tour guides, and ground transfer agents licensed by the Macao Government Tourist Office on or before end-December 2009. At the end of September 2012, there were 165 travel agencies with valid licences in Macao SAR (157 in 2011), and 1,645 people held tourist guide licences issued by the MGTO (1,518 in 2011). To reach the goal of Macao SAR becoming a world tourism and leisure centre, the Government is considering developing a comprehensive tourism development plan, and is studying the advantages of integrating the world heritage resources with cultural and creative industries.

4.70. As of September 2012, Macao SAR has 69 star-rated hotels and 33 guest houses, providing a total 26,719 rooms (Table 4.11). The Law on the Prohibition of Illegal Provision of Accommodation, which entered into effect on 13 August 2010 was issued to regulate the guest-house accommodation market with a view to improving visitors' accommodation. In 2011, there were 30,771 hotel employees in Macao SAR (up from 27,516 in 2010), of whom 30,638 worked in star-rated hotels and 133 in guesthouses. The number of guests who occupied hotel rooms in 2011 was about 8.6 million (up from more than 7 million in 2010). The average length of stay was 1.53 nights in 2011 (1.54 nights in 2010, and 1.5 nights in 2009).

Table 4.11 Hotels and guest houses, 2007-September 2012

| | 2007 | 2008 | 2009 | 2010 | 2011 | Sept 2012 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Number of hotels | 54 | 57 | 61 | 62 | 65 | 69 |
| Number of guest houses | 31 | 31 | 31 | 31 | 32 | 33 |
| Total | 85 | 88 | 92 | 93 | 97 | 102 |
| Number of hotel rooms | 16,496 | 18,082 | 19,740 | 20,412 | 22,606 | 26,080 |
| Number of guest house rooms | 576 | 576 | 576 | 576 | 616 | 639 |
| Total | 17,072 | 18,658 | 20,316 | 20,988 | 23,222 | 26,719 |

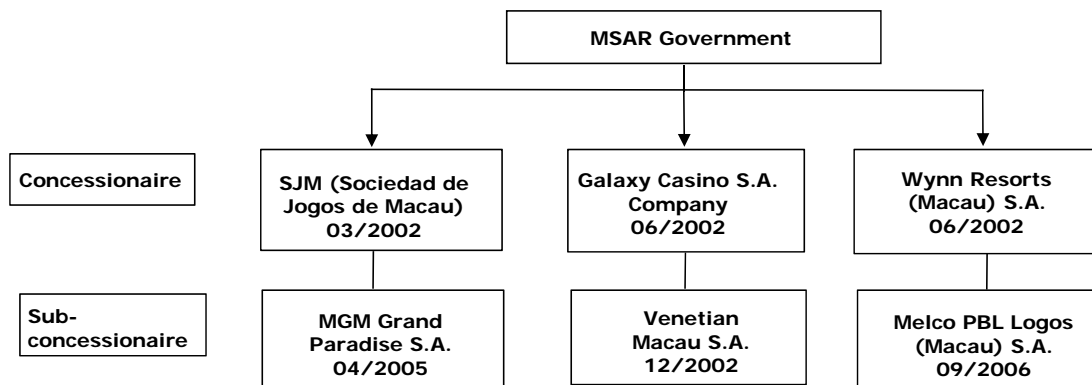
Source: Information provided by the authorities of Macao, China.

4.3.6 Gaming

4.71. The tourism sector has benefitted from a prospering gaming sector. Of total visitor expenditure, the share on gaming increased, from 74% in 2007 to 87% in 2011 (Table 4.9). During the period under review, the Government carried out a number of measures to prevent excessive expansion of the gaming industry.

4.72. Gaming is legal in Macao SAR. Since 2002, the Government has opened the sector to new operators, and although the casino concessions were restricted to three, each concessionaire may grant sub-concessions with approval from the Government. The Government decided to limit the number of sub-concessions to only three. Currently, there are three concessionaires and three sub-concessionaires, each of which has the right to operate casino gaming business as an independent legal person (Chart 4.2). Concessionaires or sub-concessionaires who wish to open new casinos, gaming tables or slot machines must apply to and obtain approval from the Gaming Inspection and Coordination Bureau (DICJ).

Chart 4.2 Concessionaires and sub-concessionaires



Source: Macao Gaming Inspection and Coordination Bureau.

4.73. Key legislation on gaming includes Law No. 16/2001 on the Legal Framework for the Operations of Casino Games of Fortune, which stipulates operational requirements, eligibility of major shareholders and management of the casinos, and gaming tax to be levied; Administrative Regulation No. 6/2002 on the rules and regulations for the junket promoters of casino games of fortune (later amended by the Administrative Regulation No. 27/2009); and Law No. 5/2004 on credit for games of fortune.²² Anti-money-laundering Legislation also applies, comprising Law No. 2/2006 on Prevention and Deterrence on Money Laundering; Administrative Regulation No. 7/2006 on Preventative Measures on Money Laundering and Financing of Terrorism, and DICJ Instruction No. 2/2006 stipulating the legal obligations of the gaming concessionaires and junket promoters on preventing money laundering and terrorist financing occurring in casinos. In 2012, the authorities issued Law No. 10/2012, increasing the minimum age to enter and to work in a casino (see below).

4.74. Competition-related provisions are contained in Gaming Law No. 16/2001. Article 21 stipulated that the Government shall treat all gaming concessionaires and sub-concessionaires (concessionaires) in a non-discriminatory manner and shall ensure that they comply with the rules of competition. Concessionaires must conduct business under fair, healthy, and constructive competition and respect the principles inherent to a market economy. To avoid anti-competitive behaviour (e.g. collusion), arranged agreements and practices are prohibited, in whatever form, between gaming concessionaires or companies belonging to the respective groups that may in

²² There are also the Administration Regulation No. 26/2001 (regulating the requirement of the companies that join the bidding of the gaming concessions), and a number of Chief Executive Orders: No. 26/2002 (temporary granting of the 3 concessions of games of fortune), No. 250/2001 (requirement of companies that can join the bidding of the gaming concession), No. 217/2001 (restricting the number of granted gaming concessions to 3), No. 216/2001 (setting-up of the first Gaming Concession Tender Committee), and No. 215/2001 (establishing the amount of the annual fixed premiums).

anyway restrict, impede or distort competition amongst the gaming concessionaires. Any improper operation, by one or more gaming concessionaires with a dominant position or substantial market share in the gaming industry that may in any way impede, restrict or distort competition is prohibited. Any violation of the provisions of the Article is considered an administrative infraction without precluding it from the underlying civil or criminal liability.

4.75. In accordance with Administrative Regulation No. 34/2003, the DICJ provides assistance to the Chief Executive of the MSAR on the definition and application of economic policies on gaming activities. The DICJ has four departments:

- the Inspection of Games of Fortune Department has inspectors stationed in casinos to monitor their daily operation, and to mediate in disputes between individuals and between gaming concessionaires and members of the public. Prior approval from the DICJ is required before any changes may be made to gaming operations, including the maximum bet amounts, the initial flow on gaming tables, the number of gaming tables, the operating hours, the use of new chips, and new slot machines;
- the Inspection of Pari-Mutuel Department of the DICJ conducts inspections on pari-mutuel activities such as horse racing, dog racing, and sales of lottery tickets before, during and after the event;
- the Audit Department of the DICJ audits the gross gaming revenue of each concessionaire, and the concessionaires must submit gaming reports and data to the DICJ on a daily basis. The Audit Department also conducts, *inter alia*, IT audit, anti-money-laundering and financing of terrorism audit, minimum internal control requirement audit, compliance audit, and commission cap audit. The DICJ is also responsible for preventing, eliminating, and punishing illegal gaming; and
- the Junket Licensing Team, headed directly by the Director and Deputy Director of the DICJ, is responsible for inspecting the qualifications of gaming promoters and issuing licences to them.

4.76. In accordance with Law No. 16/2001 and Concession Contract for Casino Operation, casino operators must pay gaming tax, make contributions to the Macao SAR Government, and make local investment (Table 4.12).

Table 4.12 Fiscal and financial contributions by casino operators

| Type | Details |
|-------------------------|--|
| Gaming tax | <ul style="list-style-type: none"> - Special gaming tax: 35% of gross revenue - Premium (fixed): MOP 30 million per year - Premium (variable): MOP 300,000 per table per year for VIP table MOP 150,000 per table per year for regular table MOP 1,000 per slot machine per year |
| Contributions | <ul style="list-style-type: none"> - Monthly payment, 1.6% of gross revenue, to the Macao Foundation, used in cultural, social, economic, scientific, or educational development; - Monthly payment, 1.4% (SJM) or 2.4% of gross revenue, used in infrastructure, tourism, and social security |
| Local investment | <ul style="list-style-type: none"> - SJM: MOP 4.7 billion, contract signed in March 2002, fulfilled - MGM: MOP 4 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 billion, contract signed in June 2002, fulfilled - Melco PBL: MOP 4 billion, contract signed in September 2006, fulfilled |

Source: Macao Gaming Inspection and Coordination Bureau.

4.77. The gaming sector developed rapidly during the review period, and the gross revenue of the sector more than tripled between 2007 and 2011 (Table 4.13). The number of casinos increased from 28 in 2007 to 35 in 2012, and the number of gaming tables and slot machines also increased significantly.

Table 4.13 Gaming gross revenue

| Type | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 Q1 |
|--|--------|--------|--------|--------|--------|---------|
| Gaming gross revenue (MOP billion) | 84 | 109.8 | 120.4 | 189.6 | 269.1 | 74.6 |
| Games of fortune | 83 | 108.8 | 119.4 | 188.3 | 267.9 | 74.3 |
| Number of casinos | 28 | 31 | 33 | 33 | 34 | 35 |
| Number of gaming tables | 4,375 | 4,017 | 4,770 | 4,786 | 5,302 | 5,242 |
| Number of slot machines | 13,267 | 11,856 | 14,363 | 14,058 | 16,056 | 16,102 |

Source: Macao Gaming Inspection and Coordination Bureau.

4.78. Gaming plays a dominant role in the economy with gaming tax accounting for around 80% of current revenue. However, this dominance underscores a degree of risk for the economy. With a limited labour supply and a high demand for casino staff, various other industries in Macao SAR have been confronted with considerable upward pressure on labour and other operating costs, such as land. Local SMEs have to compete for resources, and as only Macao citizens may be employed by the concessionaires as staff working on the casino floor, many young people give up their opportunity of further education or entering other sectors, resulting in an insufficient supply of labour and human capital, and weakening Macao SAR's competitiveness. Partly to correct this problem, Law No. 10/2012 was passed in 2012 to increase the minimum age of those allowed to work or play in casinos from 18 to 21.

4.79. The Government is trying to maintain sustainable development of the gaming industry. After the industry had grown rapidly for several years, the Government reviewed conditions and made several decisions to regulate the scope and pace of the gaming industry's expansion. On 22 April 2008, the Chief Executive announced that the number of gaming concessions and sub-concessions would not be increased in the foreseeable future. In February 2010, the Government restructured the Macao Gaming Committee, which is now chaired by the Chief Executive, and is responsible for formulating relevant policies for the development of the gaming industry, monitoring the industry's development and operation, and drawing up regulations and guidelines.²³ In March 2010, the Government announced that the number of gaming tables would be limited to 5,500 up to 2013, and from 2013 to 2023, the number of tables would be restricted to an annual average increase of 3%.

4.80. As of the second quarter of 2012, about 70% of the gross gaming revenue is from VIP rooms. The VIP segment is highly sensitive to junket promoters, who promote casino games and provide players with services such as transportation, accommodation, catering, and entertainment, in return for commissions or other rewards from gaming concessionaires. Only an individual person or company granted a gaming promoter's licence by the DICJ is allowed to engage in gaming promotion activities. The Government began to accept applications for gaming promoter licences in June 2004, and by the beginning of 2012, a total of 219 licences had been issued, of which 184 to companies and 35 to individuals. Gaming promoters may select partners according to their business needs; however, the eligibility of their partners is subject to DICJ examination and approval. Gaming promoters must pay tax at a rate of 5% on commission from concessionaires and other remuneration they receive. All junket promoters must renew their licences annually with the DICJ. In the event of any violation of laws and regulations, the junket promoters are subject to penalty or may have their licences suspended.

4.81. In 2008, the aggressive market competition resulted in "flared up prices" in junket commissions. Commission rates paid to junket operators to lure VIP baccarat patrons were bid up to 1.35% of chips' turnover, and considered "unreasonable" by local standards.²⁴ In response, the Government capped junket commissions at 1.25% of chips' turnover from 2009, and each gaming concessionaire must submit a monthly report on junket activities to the DICJ for auditing.

4.82. The heavily reliance on gaming means the economy is vulnerable to external shocks, such as supply competition (e.g. new casinos opening in Singapore and elsewhere), and demand

²³ Government Information Bureau (2011), p.265.

²⁴ *Xinhua news* 04 June 2008, "Macao Economic Chief: Junket Commissions, Gaming Table Number to be Kept at 'Reasonable' Level", Viewed at: <http://english.peopledaily.com.cn/90001/90776/90882/6423770.html> [14/09/2012].

shocks. The tightening of visa control for China's residents wishing to visit Macao SAR in 2008 resulted in a fall in tourist arrivals, a slowdown in gaming revenue growth, and a slowdown in the economy's growth. Knowing that diversifying the economy may help to increase its resistance to external shocks, the Macao SAR Government announced that the number of gaming tables to be granted in the future is to be based on the non-gaming facilities in the concessionaire's investment projects. Also, the Government will only focus on processing land concession applications filed before 2008; concessionaires' land concession applications filed after 2009 will not be approved.

4.83. Given the dominance of the tourism industry, in particular the gaming sector, in the local economy, the Government has been making efforts to diversify the economy. However, any diversification initiative is challenged by the limited size of the territory, the shortage of labour supply, and the small size of the domestic market. Regional cooperation measures, such as the CEPA, may provide opportunities for the further development of Macao SAR's economy by mitigating its development constraints (Chapter 2).

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5 APPENDIX TABLES

Table A1.1 Merchandise trade by HS section, 2007-11

(US\$ million and %)

| Section | Description | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------|---|----------------|----------------|----------------|----------------|----------------|
| Exports | Total (US\$ million) | 2,542.4 | 1,998.0 | 961.0 | 869.8 | 869.3 |
| | | | | (% of total) | | |
| I | Live animals and products | 0.1 | 0.2 | 0.4 | 0.4 | 0.4 |
| II | Vegetable products | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 |
| III | Animal or vegetable fats and oils | .. | 0.0 | 0.0 | 0.0 | 0.0 |
| IV | Prepared foodstuffs, beverages and tobacco | 1.5 | 2.7 | 4.9 | 7.8 | 10.9 |
| V | Mineral products | 0.0 | 0.0 | 0.0 | 0.3 | 1.0 |
| VI | Chemicals and products thereof | 0.8 | 1.3 | 3.0 | 2.1 | 2.1 |
| VII | Plastics and rubber and articles thereof | 0.7 | 0.7 | 1.0 | 1.2 | 1.2 |
| VIII | Raw hides and skins; leather | 0.2 | 0.5 | 1.5 | 1.4 | 1.9 |
| IX | Wood and articles thereof | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| X | Pulp of wood; paper and paperboard | 0.3 | 0.4 | 0.8 | 0.9 | 0.7 |
| XI | Textiles and clothing | 65.6 | 57.1 | 32.2 | 23.3 | 19.1 |
| XII | Footwear, headgear, umbrellas | 2.0 | 0.9 | 1.1 | 1.1 | 1.3 |
| XIII | Articles of stone, ceramic; glass and glassware | 0.9 | 1.1 | 1.5 | 2.3 | 2.5 |
| XIV | Pearls, precious stones and metals | 1.9 | 4.5 | 10.0 | 10.6 | 4.4 |
| XV | Base metals and articles thereof | 2.9 | 3.6 | 4.9 | 7.0 | 7.4 |
| XVI | Machinery, electrical equipment | 13.5 | 11.4 | 14.6 | 13.0 | 15.2 |
| XVII | Transport equipment | 0.4 | 0.6 | 1.6 | 1.2 | 0.7 |
| XVIII | Precision and music instruments | 0.7 | 1.4 | 5.1 | 6.3 | 5.2 |
| XIX | Arms and ammunition | .. | .. | .. | .. | .. |
| XX | Manufactured articles n.e.s. | 1.9 | 2.9 | 6.0 | 5.5 | 6.3 |
| XXI | Works of art | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| | Other (including confidential data) | 6.5 | 10.5 | 10.9 | 15.3 | 19.3 |
| Imports | Total (US\$ million) | 5,365.1 | 5,365.5 | 4,621.9 | 5,513.3 | 7,768.1 |
| | | | | (% of total) | | |
| I | Live animals and products | 2.9 | 3.5 | 5.0 | 5.0 | 4.4 |
| II | Vegetable products | 0.9 | 1.1 | 1.5 | 1.4 | 1.2 |
| III | Animal or vegetable fats and oils | 0.2 | 0.3 | 0.4 | 0.3 | 0.3 |
| IV | Prepared foodstuffs, beverages and tobacco | 7.9 | 8.1 | 10.5 | 10.9 | 10.8 |
| V | Mineral products | 12.1 | 13.8 | 13.1 | 12.2 | 10.9 |
| VI | Chemicals and products thereof | 4.2 | 5.0 | 6.6 | 6.5 | 5.6 |
| VII | Plastics and rubber and articles thereof | 1.4 | 1.3 | 1.1 | 1.0 | 0.8 |
| VIII | Raw hides and skins; leather | 1.1 | 2.0 | 3.3 | 4.6 | 6.6 |
| IX | Wood and articles thereof | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| X | Pulp of wood; paper and paperboard | 1.1 | 1.0 | 1.1 | 1.0 | 0.8 |
| XI | Textiles and clothing | 17.4 | 12.9 | 6.8 | 5.7 | 4.9 |
| XII | Footwear, headgear, umbrellas | 1.2 | 1.2 | 1.4 | 1.7 | 2.0 |
| XIII | Articles of stone, ceramic; glass and glassware | 1.7 | 1.7 | 1.2 | 0.9 | 0.8 |
| XIV | Pearls, precious stones and metals | 3.5 | 5.2 | 7.5 | 9.8 | 13.2 |
| XV | Base metals and articles thereof | 6.6 | 6.3 | 3.0 | 2.4 | 2.5 |
| XVI | Machinery, electrical equipment | 22.3 | 19.6 | 17.5 | 17.6 | 17.2 |
| XVII | Transport equipment | 5.0 | 5.0 | 5.3 | 6.2 | 5.3 |
| XVIII | Precision and music instruments | 3.4 | 5.3 | 7.0 | 7.8 | 7.7 |
| XIX | Arms and ammunition | .. | .. | .. | .. | .. |
| XX | Manufactured articles n.e.s. | 6.3 | 5.5 | 5.9 | 4.2 | 4.1 |
| XXI | Works of art | 0.1 | 0.0 | 0.1 | 0.0 | 0.1 |
| | Other (including confidential data) | 0.3 | 1.0 | 1.4 | 0.3 | 0.7 |

.. Not available

Note: Numbers have to be read carefully due to "confidential data". For example exports under HS Section III are not exactly 0% but due to confidentiality the exact figure cannot be calculated. Confidential data can be found under all HS sections and are relatively important under exports.

Source: WTO calculations, based on data provided by the authorities of Macao, China.

Table A1.2 Merchandise imports, by origin, 2007-11

(US\$ million and %)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total imports (US\$ million) | 5,365.1 | 5,365.5 | 4,621.9 | 5,513.3 | 7,768.1 |
| | (% of total) | | | | |
| America | 6.4 | 6.8 | 7.2 | 7.1 | 7.1 |
| United States | 5.6 | 5.5 | 6.0 | 5.9 | 6.0 |
| Other America | 0.7 | 1.3 | 1.2 | 1.2 | 1.1 |
| Brazil | 0.2 | 0.3 | 0.5 | 0.4 | 0.4 |
| Europe | 18.1 | 21.4 | 27.8 | 30.3 | 32.4 |
| EU(27) | 15.7 | 16.5 | 21.2 | 22.6 | 24.9 |
| France | 4.2 | 5.3 | 8.0 | 9.2 | 10.1 |
| Italy | 1.6 | 2.8 | 4.6 | 4.7 | 7.6 |
| Germany | 4.4 | 2.6 | 2.9 | 3.0 | 2.5 |
| United Kingdom | 1.8 | 1.9 | 2.1 | 1.9 | 1.6 |
| Finland | 1.0 | 1.4 | 1.3 | 1.4 | 0.8 |
| The Netherlands | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| Ireland | 0.2 | 0.1 | 0.3 | 0.4 | 0.4 |
| Spain | 0.3 | 0.6 | 0.4 | 0.5 | 0.3 |
| Portugal | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| EFTA | 2.3 | 4.8 | 6.5 | 7.6 | 7.3 |
| Switzerland | 2.3 | 4.7 | 6.4 | 7.6 | 7.2 |
| Other Europe | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Commonwealth of Independent States (CIS) | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Africa | 0.3 | 0.4 | 0.5 | 0.6 | 0.5 |
| South Africa | 0.3 | 0.3 | 0.5 | 0.5 | 0.4 |
| Middle East | 0.5 | 0.7 | 0.6 | 0.6 | 0.3 |
| Asia | 74.6 | 70.8 | 63.8 | 61.4 | 59.7 |
| China | 42.6 | 39.3 | 31.4 | 31.1 | 30.7 |
| Japan | 9.0 | 8.5 | 8.2 | 8.6 | 6.3 |
| Six East Asian Traders | 20.5 | 20.9 | 21.2 | 19.0 | 20.4 |
| Hong Kong, China | 10.1 | 10.1 | 10.9 | 10.5 | 12.2 |
| Singapore | 3.1 | 3.8 | 3.2 | 1.9 | 2.2 |
| Chinese Taipei | 3.5 | 3.3 | 3.0 | 2.4 | 2.1 |
| Korea, Rep. of | 1.5 | 1.2 | 1.6 | 1.5 | 1.6 |
| Thailand | 1.0 | 1.2 | 1.3 | 1.5 | 1.2 |
| Malaysia | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 |
| Other Asia | 2.5 | 2.1 | 3.0 | 2.6 | 2.4 |
| Australia | 1.5 | 0.9 | 1.4 | 1.0 | 1.1 |
| Indonesia | 0.5 | 0.5 | 0.6 | 0.8 | 0.5 |

Source: WTO calculations based on data received from the authorities of Macao, China.

Table A1.3 Merchandise exports, by destination, 2007-11

(US\$ million and %)

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|----------------|----------------|--------------|--------------|--------------|
| Total exports (US\$ million) | 2,542.4 | 1,998.0 | 961.0 | 869.8 | 869.3 |
| | (% of total) | | | | |
| America | 42.3 | 42.0 | 19.2 | 13.5 | 9.8 |
| United States | 40.6 | 39.9 | 17.1 | 11.2 | 8.0 |
| Other America | 1.7 | 2.1 | 2.1 | 2.3 | 1.8 |
| Mexico | 0.7 | 1.1 | 1.1 | 1.4 | 0.9 |
| Canada | 0.8 | 0.8 | 0.6 | 0.5 | 0.5 |
| Panama | 0.2 | 0.1 | 0.3 | 0.3 | 0.3 |
| Europe | 18.5 | 10.2 | 8.4 | 6.0 | 5.6 |
| EU(27) | 18.2 | 9.9 | 8.2 | 5.9 | 5.5 |
| Germany | 6.4 | 4.0 | 3.9 | 2.0 | 1.8 |
| France | 3.0 | 1.3 | 1.1 | 1.0 | 1.3 |
| The Netherlands | 1.1 | 0.8 | 0.9 | 1.1 | 1.2 |
| United Kingdom | 4.0 | 2.0 | 1.3 | 0.9 | 0.7 |
| Italy | 1.2 | 0.6 | 0.2 | 0.2 | 0.2 |
| EFTA | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 |
| Switzerland | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 |
| Other Europe | 0.1 | 0.2 | 0.1 | 0.0 | 0.0 |
| Commonwealth of Independent States (CIS) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Africa | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| South Africa | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Middle East | 0.1 | 0.3 | 0.2 | 0.1 | 0.1 |
| United Arab Emirates | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Asia | 33.1 | 37.9 | 63.0 | 68.6 | 68.6 |
| China | 14.9 | 12.3 | 14.6 | 15.8 | 15.7 |
| Japan | 1.1 | 1.3 | 1.4 | 1.6 | 2.1 |
| Six East Asian Traders | 14.9 | 21.8 | 42.7 | 47.2 | 47.8 |
| Hong Kong, China | 13.1 | 19.7 | 39.3 | 43.1 | 44.6 |
| Chinese Taipei | 1.2 | 1.4 | 2.1 | 2.5 | 1.5 |
| Singapore | 0.2 | 0.3 | 0.6 | 1.0 | 0.9 |
| Malaysia | 0.2 | 0.2 | 0.6 | 0.3 | 0.6 |
| Korea, Rep. of | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other Asia | 2.2 | 2.5 | 4.4 | 4.1 | 3.0 |
| Viet Nam | 0.7 | 1.1 | 2.3 | 2.7 | 1.7 |
| Australia | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 |
| Cambodia | 0.5 | 0.2 | 0.0 | 0.0 | 0.3 |
| Philippines | 0.5 | 0.8 | 1.3 | 0.7 | 0.3 |
| Other ^a | 5.9 | 9.5 | 9.1 | 11.6 | 15.7 |

a Based on the regulations of statistical confidentiality, data of some products are not published.

Source: WTO calculations based on data received from the authorities of Macao, China.

Table A2.1 Main trade and investment related legislation

| Subject | Date | Legislation | Content |
|--|------------------------|--|---|
| Foreign trade | 10.08.2009 | Law No. 16/2009 - Amendments to Commercial Code | Commercial Code amendments |
| | 26.12.2003 | Chief Executive's Decision No. 28/2003 | Mainland and Macao Closer Economic Partnership Arrangement: covers trade in goods, services, and trade and investment facilitation issues |
| | 23.06.2003 | Foreign Trade Law No. 7/2003 | General principles of foreign trade and mechanisms for import, export, and transit to/from Macao, China |
| | 22.09.2003 | Administrative Regulation No. 28/2003 | Regulations on foreign trade activities |
| | 22.09.2003 | Chief Executive's Decision No. 224/2003 | Fees collected on issue of certificates of origin |
| | 03.01.2012 | Chief Executive's Decision No. 452/2011 | Competent public authorities responsible for licensing, goods exempted from control, and goods subject to sanitary inspection |
| | 12.03.2012 | Chief Executive's Decision No. 45/2012 - Amendments to Chief Executive Decision No. 452/2011 | The amount of tobacco products that an individual is allowed to bring to the MSAR was reduced |
| | 15.09.2003 | Administrative Regulation No. 29/2003 - Regulation on Certificate of Origin | Regulation on certificate of origin |
| Customs clearance | 06.08.2001 | Law No. 11/2001 | Customs Services Law |
| | 29.01.1996 | Decree-Law No. 7/96/M | Regulations for transit activities, and system |
| | 20.06.2005 | Administrative Regulation No. 8/2005 - Amendments to Decree-Law No. 7/96/M | Amendments to the transit activities system |
| | 22.09.2003 | Chief Executive's Decisions No. 225/2003 | Importation of goods not covered by the licensing system, customs clearance |
| | 11.04.1994 | Decree-Law No. 18/94/M | Regulation on sales at duty-free shops |
| | 21.12.1992 | Decree-Law No. 79/92/M | Temporary importation and storage of durable commodities for consumption tax purposes |
| | 08.11.1999 | Decree-Law No. 77/99/M | Arms and ammunition regulation |
| | 10.08.2009 | Law No.17/2009 | Law prohibiting the illicit production, supply, and consumption of narcotic drugs and psychotropic substances |
| Import prohibitions, restrictions, and licensing | 23.11.2009 | Chief Executive's Decision No. 441/2009 | Stipulation on the use of ATA carnets for temporary import and export |
| | 04.12.1995 | Decree-Law No. 62/95/M | Measures to control and reduce the use of substances depleting the ozone layer |
| | 02.05.2005 | Chief Executive's Decision No. 120/2005 | Prohibition of imports and manufacture of medicines made from animals with Bovine Spongiform Encephalopathy (BSE) |
| | 19.10.1998 | Government Decision No. 219/98/M | Import restriction on used motor vehicles and heavy passenger vehicles. |
| | 09.11.2009 | Chief Executive's Decision No. 425/2009 | Import quotas for HCFCs substances |
| | 27.09.1999 | Decree-Law No. 51/99/M | Regulation on commercial and industrial activities related to computer programs, phonograms, and videograms |
| | 09.12.2003 | Chief Executive's Decision No. 272/2003 | Prohibition of import, export, and transit of chemical materials and their precursors |
| 14.11.1994 | Decree-Law No. 53/94/M | Licensing requirements for establishments engaged in prescribing and trade of traditional Chinese medicine | |

| Subject | Date | Legislation | Content |
|---|------------|---|--|
| Business licensing | 10.07.1995 | Decree-Law No. 30/95/M | Regulations on pharmaceuticals advertisements |
| | 19.09.1990 | Decree-Law No. 58/90/M | Regulations on the profession of pharmacists and related activities |
| | 31.12.1990 | Decree-Law No. 84/90/M | Regulations on licensing requirements for providing private health care and nursing services |
| | 19.09.1990 | Decree-Law No. 59/90/M | Registration of pharmaceutical products |
| | 08.11.1999 | Decree-Law No. 77/99/M | Arms and ammunition regulation |
| Standards and technical requirements | 30.01.2012 | Administrative Regulation No. 1/2012 | Gas emission standards of new imported vehicles |
| | 06.12.2010 | Chief Executive's Decision No. 356/2010 | Approved the tables of parameters of gas pollutant emissions which substituted Tables I and II of Annex II of Administrative Regulation No. 1/2008 |
| | 27.07.2005 | Technical Instruction No. 3/2005 and No.4/2005 | Rules on packaging of pharmaceutical products |
| | 23.11.2000 | Technical Instruction No. 2/2000 | Documents requirement for the importation of pharmaceutical products |
| | 07.08.2007 | Microbiological Guidelines for Ready-to-eat Food (S AL 015-2007) | Microbiological guidelines for ready-to-eat food |
| Sanitary and phytosanitary requirements | 22.12.2004 | Administrative Regulation No. 40/2004 | General control measures of SPS inspection |
| | 29.09.1986 | Decree-Law No. 45/86/M | Regulations in relation to CITES |
| | 27.12.2004 | Chief Executive's Decision No. 310/2004 | Regulation on operations of wholesale markets |
| | 29.01.2004 | Chief Executive's Decision No. 7/2004 | Temporary suspension of imports of poultry products (due to H5N1) from Korea, Viet Nam, Japan, Thailand, Cambodia, Laos, Indonesia, Chinese Taipei, etc. |
| | 31.12.2007 | Chief Executive's Decision No. 341/2007 | Temporary suspension of imports of bovine meat products |
| Labelling requirements | 17.08.1992 | Decree-Law No. 50/92/M | Food labelling |
| | 01.03.2004 | Administrative Regulation No. 7/2004 - Amendments to Decree-Law No. 50/92/M | Amendments to food labelling |
| | 21.11.1994 | Decree-Law No. 56/94/M – Amendments to Decree-Law No. 50/92/M | Amendments to food labelling |
| | 11.01.2010 | Chief Executive's Decision No. 556/2009 | Regulation on food additives |
| Environmental requirements | 04.12.1995 | Decree-Law No. 62/95/M | Measures to control and reduce the use of substances depleting the ozone layer |
| | 23.01.2006 | Executive Order No. 4/2006 | Establishing limits on sulphur in gasoline |
| | 14.11.1994 | Decree-Law No. 54/94/M | Prevention of certain noise pollution |
| Government procurement | 15.12.1984 | Decree-Law No. 122/84/M of 15 December 1984 – Establishment of Construction Fees Regulation of Assets Purchase and Services Acquisition | Expenditures on construction projects and labour costs, models, and contracts of outsourcing activities, as well as monitoring of expenditures |
| | 06.07.1985 | Decree-Law No. 63/85/M | Procedures for the public procurement of goods and services |
| | 15.05.1989 | Decree-Law No. 30/89/M | Amendments to the Decree-Law No. 122/84/M |

| Subject | Date | Legislation | Content |
|---|---------------------------------------|--|--|
| | 08.11.1999 | Decree-Law No. 74/99/M of 8 November 1999 – Approved Policy Regime of Public Construction Sub-contracting Agreements | Legal procedures on public construction sub-contracting and legal structure of agreements and documents. Provides the proper rules for processing the call for tenders for a public construction project |
| | 24.04.2006 | Administrative Regulation No. 6/2006 | Regulation on the System of Public Financial Administration |
| | 10.08.2009 | Administrative Regulation No. 28/2009 | Amendments to Regulation on the System of Public Financial Administration |
| Taxation and incentives | 13.12.1999 | Law No. 4/99/M - Consumption Tax Regulation | Consumption tax regulation |
| | 25.08.2008 | Law No. 8/2008 – Amendments to Law No. 4/99/M | Alcohol products with alcoholic volume less than 30%; fuel and lubricants are exempted from consumption tax |
| | 25.05.2009 | Law No. 7/2009 – Amendments to Law No. 4/99/M and Law No.8/2008 | Consumption tax on tobacco products increased on three occasions |
| | 19.12.2011 | Law No. 11/2011 – Amendments to Law No. 4/99/M, Law No. 8/2008 and Law No. 7/2009 | Consumption tax of tobacco products is increased by 150% |
| | 06.02.2012 | Law No. 1/2012 Amendment to Law No. 5/2002 | Amendments to motor vehicle tax regulation |
| | 07.03.2011 | Law No. 1/2011 | Amendments to property tax regulation |
| | 03.05.2011 | Law No. 4/2011 | Amendments to stamp duty regulation |
| | 13.06.2011 | Law No. 6/2011 | Special stamp duty on the transfer of immovable residential property |
| | 27.04.2009 | Law No. 4/2009 | Amendments to the general table of stamp duty |
| | 26.12.2001 | Law No. 18/2001 | Amendments to stamp duty regulation |
| | 24.08.2009 | Law No. 20/2009 | Exchange of tax information |
| | 26.03.2012 | Administrative Regulation No. 11/2012 | Amendments to the regulation on SME aid scheme |
| | 22.06.2009 | Administrative Regulation No. 19/2009 | Amendments to the regulation on SME credit guarantee scheme designed for special projects |
| | 12.07.1993 | Decree-Law No. 35/93/M | Amendments to the legislation on tax incentives within the area of industrial policies |
| | 08.02.1986 | Law No. 1/86/M | Legislation on tax incentives within the area of industrial policies |
| 30.05.2011 | Administrative Regulation No. 10/2011 | Amendments to the regulation on interest subsidies to businesses | |
| 08.06.2009 | Administrative Regulation No. 16/2009 | Regulation on interest subsidies to businesses | |
| Competition policy | 03.11.2009 | Administrative Regulation No. 34/2009 | Tariff tables for ferry routes operated by holders of regular maritime passenger transport operating licence |
| Intellectual property rights protection | 13.12.1999 | Decree-Law No. 97/99/M | Industrial property code |
| | 16.08.1999 | Decree-Law No. 43/99/M | Copyright and related rights code |
| | 10.04.2012 | Law No. 5/2012 | Amendments to the Decree-Law No. 43/99/M regulating the protection of copyright and related rights |

| Subject | Date | Legislation | Content |
|-----------------------------------|------------|---------------------------------------|--|
| Banking, insurance and securities | 09.07.2012 | Law No.9/2012 | Deposit Protection Regime Law |
| | 05.07.1993 | Decree-Law No. 32/93/M | Macao financial system law |
| | 18.10.1999 | Decree-Law No. 58/99/M | Banking Offshore regime |
| | 26.02.1983 | Decree-Law No. 15/83/M | Regulation on the business of finance companies |
| | 30.06.1997 | Decree-Law No. 27/97/M | Macao insurance ordinance |
| | 05.06.1989 | Decree-Law No. 38/89/M | Insurance agents & brokers ordinance |
| | 15.09.1997 | Decree-Law No. 38/97/M | Regulations on money changers |
| | 05.05.1997 | Decree-Law No. 15/97/M | Regulations on cash remittance companies |
| | 22.11.1999 | Decree-Law No. 83/99/M | Regulations on investment funds and fund management companies |
| Telecom | 14.08.2001 | Law No. 14/2001 | Basic telecommunications law |
| | 15.04.2002 | Administrative Regulation No. 7/2002 | Regulation on the operation of public telecommunications networks and the provision of public mobile telecommunications services |
| | 04.11.2002 | Administrative Regulation No. 24/2002 | Regulation on the provision of internet services |
| | 30.12.2011 | Administrative Regulation No. 41/2011 | Regulation on the installation and operation of the fixed public telecommunications network. |
| Postal services | 29.11.1999 | Decree-Law No. 88/99/M | General principles for the provision of postal services, set up and usage of postal infrastructure |
| Air transportation | 05.04.2004 | Administrative Regulation No. 10/2004 | Basic principles of civil aviation activities. |
| | 14.07.2008 | Administrative Regulation No. 18/2008 | Amendments to Administrative Regulation No.10/2004 |
| | 11.02.2011 | Executive Order No. 8/2011 | Approved and issued the Air Navigation Regulation |
| Maritime transportation | 13.12.1999 | Decree-Law No. 109/99/M | Regulation on maritime trade |
| | 29.11.1999 | Decree-Law No. 90/99/M | Law on maritime activities |
| | 29.03.1999 | Decree-Law No. 14/99/M | Regulation on maritime pilotage |
| Professional services | 01.11.1999 | Decree-Law No. 71/99/M | The statute of registered auditors |
| | 01.11.1999 | Decree-Law No. 72/99/M | The statute of registered accountants |
| Tourism | 18.07.2011 | Administrative Regulation No. 18/2011 | Regulation on the organization and operation of Macau Government Tourist Office (MGTO). |
| | 30.12.2004 | Administrative Regulation No. 42/2004 | Regulation on travel agencies and tourist guides |
| | 19.08.1996 | Law No. 19/96/M | Tourism tax law |
| | 01.04.1996 | Government Decision No. 83/96/M | Regulation on hotel and similar industries |
| | 11.12.1989 | Decree-Law No. 81/89/M | Legal framework for tourism industry |
| | 26.10.1998 | Decree-Law No. 47/98/M | Licensing of specific economic activities |
| | 28.07.2003 | Law No. 10/2003 | Amendment to Decree-Law No. 47/98/M |

| Subject | Date | Legislation | Content |
|--------------------|------------|---|---|
| Foreign investment | 10.08.2009 | Law No. 16/2009 – Amendments to Commercial Code | Regulating Commercial activities and commercial contracts |
| | 11.10.1999 | Decree-Law No. 56/99/M - Commercial Registration Code | Registration of companies and firms |
| | 27.04.2000 | Law No. 5/2000 | Amendments to Decree-Law No.56/99/M and repeal certain provisions of Commercial Registration Code |
| | 23.04/2012 | Law No. 6/2012 | Amendments to Commercial Registration Code |
| | 23.06.2003 | Foreign Trade Law No. 7/2003 | General principles of foreign trade and mechanisms for import, export, and transit to/from Macao, China |

Source: Information provided by the authorities of Macao, China.

Table A4.1 Macao SAR air services agreements, October 2012

| Countries | Date of Signature |
|---------------------------------------|------------------------|
| Brazil | 15/07/94 |
| Finland | 09/09/94 |
| Austria | 04/11/94 |
| Belgium | 16/11/94 |
| Netherlands | 16/11/94 |
| Luxembourg | 14/12/94 |
| New Zealand | 09/03/95 |
| Portugal | 31/08/95 |
| Switzerland | 05/09/95 |
| Singapore | 27/10/95 |
| Malaysia | 31/10/95 |
| Thailand | 01/11/95 |
| United States of America | 03/07/96 |
| Viet Nam | 07/08/96 |
| Germany | 05/09/96 |
| Democratic People's Republic of Korea | 08/12/96 |
| Denmark | 12/12/96 |
| Sweden | 12/12/96 |
| Norway | 12/12/96 |
| Republic of Korea | 03/04/97 |
| Philippines | 18/07/97 |
| India | 11/02/98 |
| Nepal | 19/02/98 |
| South Africa | 04/04/98 |
| Brunei | 24/05/98 |
| United Arab Emirates | 06/12/98 |
| Russia | 21/01/99 |
| Myanmar | 12/03/99 |
| Australia | 24/08/99 |
| Poland | 22/10/99 |
| Pakistan | 15/11/00 |
| Czech Republic | 25/09/01 |
| Cambodia | 12/12/01 |
| United Kingdom | 19/01/04 |
| Iceland | 13/07/04 |
| Maldives | 16/01/06 |
| France | 23/05/06 |
| Sri Lanka | 08/06/06 |
| Mongolia | 27/06/06 |
| Japan | 10/02/10 |
| Oman | Initialled on 15/09/98 |
| Indonesia | Initialled on 10/05/01 |
| Israel | Initialled on 15/09/05 |
| Greece | Initialled on 17/02/06 |
| Slovak Republic | Initialled on 03/03/06 |
| Laos | Initialled on 23/11/10 |
| Cape Verde | Initialled on 10/12/10 |

Source: Information provided by the authorities of Macao, China.