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**REPORT FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**Macao Special Administrative Region:
Annual Report 2004**

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The political situation in Macao in 2004 was marked by stability, with the territory continuing the process of consolidation as a special administrative region five years after its handover to the People's Republic of China (PRC). Its progressive political and constitutional development was carried out in line with the Basic Law.

In February, the Macao Government passed the draft Chief Executive Election bill after consultation of the PRC's Central Government and the territory's Executive Council. The legislation was debated in the territory's Legislative Assembly and amendments were tabled by opposition delegates asking that members of the associations representative of the various social and economic sectors in Macao take part in appointing members of the electoral committee. On 21 February the legislation was adopted by a large majority of Legislative Assembly delegates, although the opposition's proposals were not included.

Mr Edmund Ho, the current Chief Executive, who was the only candidate for his own succession, was re-elected with an overwhelming majority of 98% of the votes cast in the electoral committee in August 2004. Mr Ho and his entire team were entrusted with a second five-year mandate on the occasion of the official visit of PRC President, Mr Hu Jintao, on 20 December 2004 to mark the fifth anniversary of the creation of the Macao Special Administrative Region (MSAR). The Chinese President reaffirmed the PRC's attachment to the tenets of the MSAR's Basic Law and especially to the territory's autonomous status based on the principle that "Macao people administer Macao".

Following the Chief Executive's presentation of his political programme in November 2004, the Commission welcomes the recent setting-up within the Macao Government of the Legal and Legislative Reform Office, which will coordinate among other things the implementation of measures to improve the operability of the MSAR's legal system. The training of judges, magistrates and bilingual legal officials will thus be continued with a view to accelerating legal procedures, thereby making the administration of justice more equitable. Efforts must also continue in translating from Portuguese into Chinese of laws, regulations and other legal texts facilitating access of the population of Macao to the legal system.

The Commission welcomes the Macao Government's intention to preserve the MSAR's international role by, in particular, strengthening its links with the European Union. The signing of the Regional Cooperation Agreement in the Pearl River Delta by the MSAR in June 2004 and the setting-up in Macao of the secretariat of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries are important steps in affirming Macao's role as a regional centre for the promotion of business and foreign investment in China, especially in Guangdong province.

In 2004 Macao underwent record economic development following the liberalisation of the gambling sector and the significant development of the tourist sector stimulated by the adoption of the system facilitating the entry of tourists from the PRC. After a 14% increase in

2003, GDP rose by 28% in 2004. Other economic sectors such as industry, property and aviation also developed robustly and the state of the labour market improved markedly. The tightening of economic links between Macao and China strengthened integration between the two economies, particularly following the setting up of the Macao-Zhuai cross-border industrial zone and the implementation of the CEPA agreement (Closer Economic Partnership Arrangement) on 1 January 2004.

The Commission welcomes the strength of Macao's economic performance and encourages the territory's authorities to continue the consolidation process while implementing measures to diversify MSAR's economic base.

The 10th Joint Committee took place in Macao on 3 March 2004. The Commission stressed its attachment to the effective implementation of MSAR's Basic Law and welcomed the region's economic growth. Macao focussed in particular on the EU's historic enlargement to take in ten new Member States and the institutional and administrative reform under way.

On 13 March 2004 Mr Pascal Lamy made the first visit by a Commissioner to Macao. He met the Chief Executive, Mr Edmund Ho. Their mutual commitment to cooperating in fields of joint interest was stressed.

A detailed assessment by the Commission is given in working paper SEC(2005) 1040.