



-Macao-

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Table of Contents

GENERAL FEATURES OF TRADE POLICY

NON TARIFF BARRIERS

INVESTMENT RELATED BARRIERS

IPR

GENERAL FEATURES OF TRADE POLICY

Reports suggest that the trade and investment regime in Macau, China is one of the most open in the world. The Government's approach has long tended toward free and open markets as the main determinant of the allocation of resources within the Macau Special Administrative Region (MSAR). Under the Territory's Basic Law that provides for "one country, two systems", the MSAR should retain a high degree of autonomy for 50 years in the administration of all its affairs except defence and foreign policy.

Trade is a key basis of the economy as exports and imports of goods and services are equivalent to 80% and 50% of GDP, respectively, in 1999. Although the Territory's merchandise trade account has been in deficit, this has been more than offset by a large surplus in services trade, mainly involving tourism and related activities such as gambling.

Services accounted for 90% of GDP in Macau, China and 69% of employment in 1998. The share of services in the economy has been growing—authorities expect this trend to continue as a result of continued investment in infrastructure (i.e. the new international airport and improved port facilities). This investment has facilitated access to Macau, China, and improved efforts to improve the quality and diversity of services related to tourism, the mainstay of the economy. Community and social services alone, including gambling and casino activities accounted for nearly 47% of GDP (and over 28% of employment). By contrast, the industrial sector (manufacturing and construction) accounts for 13% of GDP and provides about 31% of all jobs, suggesting that labour productivity in this sector is relatively low. The contribution of agriculture and fisheries to GDP and employment is negligible.

The openness of the Macau, China economy to trade in agricultural and, particularly, manufactured products contributes to competition in the domestic goods markets, in the absence of an over-arching competition law. Although there are few formal barriers to foreign direct investment (FDI) to impede the establishment of foreign firms providing services, competition in several services markets could nonetheless be improved. Key services, such as electricity, water, telecommunications, and transport, are currently provided by private companies with exclusive rights under government concessions. Gambling services, another major subsector, has remained a private monopoly since 1961, although this particular concession was scheduled to expire in 2001.

Macau's merchandise trade is traditionally dependent on the export of manufactured goods, in particular clothing and textiles. The exports of these products accounted for approximately 85% of the total exported goods. Non-textile exports, such as footwear, toys, and electronics accounted for 7.3% of total sales abroad in 1999. The MSAR's main exporting markets are the United States and the European Union, accounting respectively for 46.9% and 30.2% of the total exported goods in 1999. Hong Kong SAR and the PRC are also destinations to MSAR's exports and accounted respectively for 6.8% and 9.2% of total exports in the same year. Re-exports, which are a part of exports, and represented 14.4% of the total exports in 1999, rose significantly in that year mainly to the PRC and Hong Kong SAR representing more

than four-fifths of total re-exports. The major merchandise items were textiles and related products.

In 2000, the European Union was the second largest trade partner as exports to the EU from Macau amounted to US \$ 740 million, while imports totalled US \$ 220 million.

The following table is an overview of the tradeflow between the European Union and Macao

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	1,120	1,407,720
	1997	1,880	4,439,880
	1998	13,900	4,441,810
	1999	27,890	3,093,800
	2000	5,180	2,954,610
	2001	15,740	2,117,590
	2002	127,980	2,490,360
	2003	46,110	1,049,320
Vegetable products	1996	54,290	160,540
	1997	157,010	311,770
	1998	102,180	159,030
	1999	75,660	220,440
	2000	470,660	1,171,360
	2001	4,900	2,679,220
	2002	9,320	308,610
	2003	87,780	381,950
Animal or vegetable fats	1996	0	316,740
	1997	0	304,910
	1998	0	1,910,210
	1999	0	134,750
	2000	15,140	239,260
	2001	0	143,590
	2002	0	266,260
	2003	0	175,090
Prepared foodstuffs	1996	82,830	8,805,850
	1997	63,240	9,185,620
	1998	54,440	6,561,220
	1999	61,870	5,319,640
	2000	971,420	5,440,310
	2001	716,700	6,040,280
	2002	12,720	6,331,060
	2003	6,930	7,237,570
Mineral products	1996	1,348,640	1,503,420
	1997	263,950	2,299,000
	1998	146,900	2,346,580
	1999	2,300	786,250
	2000	0	2,765,250
	2001	2,070	228,570
	2002	525,690	675,530
	2003	18,120	6,040,600
Chemical products	1996	1,841,790	8,191,970
	1997	3,616,750	8,518,330
	1998	2,728,070	9,266,560
	1999	4,000,050	8,857,010
	2000	3,369,020	9,234,620
	2001	3,924,270	11,276,830
	2002	5,524,980	9,281,280
	2003	5,538,730	6,811,980
Plastics & rubber	1996	1,316,450	1,970,080
	1997	161,340	2,523,620
	1998	124,850	2,784,740
	1999	53,060	2,158,610

	2000	139,790	4,318,500
	2001	259,210	8,791,150
	2002	69,530	2,548,900
	2003	154,960	1,981,410
Hides & skins	1996	1,795,580	802,920
	1997	3,447,740	2,006,480
	1998	2,845,170	1,619,120
	1999	2,269,860	333,900
	2000	3,711,870	196,160
	2001	2,848,350	617,670
	2002	2,296,060	428,000
	2003	1,155,570	844,550
Wood & wood products	1996	15,850	343,540
	1997	27,860	1,749,650
	1998	80,120	1,665,470
	1999	106,260	1,481,590
	2000	50,490	346,830
	2001	85,600	140,700
	2002	241,410	174,690
	2003	96,710	382,320
Wood pulp products	1996	97,410	2,307,350
	1997	82,300	1,077,290
	1998	116,350	3,029,500
	1999	285,700	2,213,060
	2000	235,970	1,342,850
	2001	234,190	3,295,090
	2002	96,810	4,824,990
	2003	77,120	3,669,830
Textiles & textile articles	1996	473,992,100	6,977,910
	1997	580,560,820	10,674,790
	1998	524,183,650	11,688,070
	1999	523,977,430	12,648,500
	2000	641,714,840	15,082,860
	2001	603,862,160	19,417,490
	2002	493,192,470	17,250,170
	2003	449,639,470	17,835,820
Footwear, headgear	1996	37,014,870	2,043,960
	1997	47,451,720	3,337,850
	1998	59,348,280	942,460
	1999	85,397,430	187,730
	2000	149,697,530	505,720
	2001	168,598,050	625,620
	2002	175,188,600	587,200
	2003	195,542,130	545,490
Articles of stone, plaster, cement, asbestos	1996	353,900	3,338,290
	1997	57,770	3,833,050
	1998	90,620	3,979,930
	1999	156,130	2,875,390
	2000	65,180	2,362,710
	2001	203,280	1,985,080
	2002	103,610	1,734,380
	2003	100,560	1,465,900
Pearls, (semi-)precious stones, metals	1996	17,160	106,040
	1997	7,830	1,610,510
	1998	14,760	180,260
	1999	12,600	168,120
	2000	152,580	630,210
	2001	170,800	410,450
	2002	66,250	177,900
	2003	66,910	1,185,160
	1996	205,340	4,521,980

Base metals & articles thereof	1997	1,925,870	4,026,740
	1998	303,220	4,699,300
	1999	91,810	5,255,110
	2000	214,320	2,298,380
	2001	175,900	3,363,970
	2002	1,179,970	2,234,360
	2003	367,050	3,633,510
Machinery & mechanical appliances	1996	4,049,740	29,599,310
	1997	3,954,400	35,879,520
	1998	2,980,910	42,553,400
	1999	6,207,470	35,724,400
	2000	21,895,090	26,788,980
	2001	14,184,190	35,119,520
	2002	20,556,440	30,606,030
2003	8,627,410	33,969,620	
Transportation equipment	1996	1,727,850	3,684,030
	1997	832,340	96,029,080
	1998	2,263,390	4,128,450
	1999	2,797,460	63,490,210
	2000	3,275,760	3,955,950
	2001	1,850,490	9,400,710
	2002	1,384,820	146,425,580
2003	14,713,560	169,530,790	
Instruments - measuring, musical	1996	411,500	3,268,560
	1997	897,560	3,913,150
	1998	1,044,590	4,237,850
	1999	840,600	4,609,000
	2000	731,590	5,003,110
	2001	690,250	4,325,720
	2002	400,530	4,680,640
2003	679,550	2,960,450	
Arms & ammunition	1996	0	9,430
	1997	0	80,600
	1998	0	35,910
	1999	0	84,160
	2000	0	111,680
	2001	0	255,980
	2002	0	58,880
2003	0	37,660	
Miscellaneous	1996	34,690,770	2,729,770
	1997	16,633,590	3,367,220
	1998	11,012,800	8,215,960
	1999	5,305,720	3,065,470
	2000	5,076,510	2,397,480
	2001	1,716,760	3,203,190
	2002	685,010	3,222,650
2003	3,336,280	1,489,280	
Works of art	1996	882,260	137,510
	1997	1,056,880	278,710
	1998	1,160,850	349,720
	1999	614,250	231,380
	2000	1,166,280	104,020
	2001	438,780	239,370
	2002	467,730	246,810
2003	169,810	289,790	
Other	1996	193,890	3,340
	1997	97,580	120,980
	1998	210,270	24,740
	1999	684,710	28,260
	2000	358,290	20,680
	2001	222,220	88,680

2002	334,510	277,970
2003	428,810	58,110

[back to top](#)

NON TARIFF BARRIERS

The internal tax system of the MSAR is characterised by a low overall level of taxation relative to GDP (13%) and relatively heavy reliance on direct taxes, especially those derived from gambling. Most direct taxes, notably those on profits and employment income, are levied at low rates, which contributes to the Territory's attractiveness for domestic and foreign investors. At the same time, however, the tax system is used as the main instrument of industrial policy, with various tax incentives being offered to projects that promote industrial diversification, encourage exports to new markets, contribute to technological progress, raise value added, and create employment. Refundable and non-refundable grants as well as interest rate subsidies are also provided. In addition, as 95% of all land in the MSAR is owned by the Government, the seemingly complex (and possibly discretionary) system for leasing government-owned land constitutes a potential instrument of economic policy.

Macau, China has made few significant changes to its legislation on government procurement since 1994, but has taken steps to simplify procedures and enhance transparency in order to attract a larger number of bids. Purchases of foreign goods and services exceeding a certain threshold are approved only if there is no local supplier. At the same time, employment of local labour is encouraged in all procurement activities. Macau, China is not a party to the Government Procurement Agreement, but it does plan to become more involved in the Working Group on Transparency in Public Procurement.

[back to top](#)

INVESTMENT RELATED BARRIERS

With few reported restrictions on inbound or outbound investment, Macau, China seems to maintain a relatively open foreign investment regime. However, both domestic and foreign investments are, in practice, prevented in some key services owing to the Government's granting of exclusive rights to certain companies in the form of concessions.

In order to achieve the objectives set by the Government on becoming a regional services centre and a gateway to China, several measures have been adopted by the MSAR Government to improve the business environment and to encourage industrial and export diversification. Such measures include incentives to investments, various tax exemptions, interest subsidies on MOP bank loans for the purchase or leasing of new equipment, as well as for the purchase, construction or leasing of industrial buildings. The concession of government-owned land is also deemed as a potential instrument for projects, which would benefit the environment and stimulate economic growth and diversification. Further, the governmental agency — Macau Trade and Investment Promotion Institute (IPIM) — has been set up in order to provide assistance (for example the "One stop service") to both local and foreign investors in implementing their investment projects.

[back to top](#)

IPR

Macau, China introduced new laws with respect to intellectual property rights in order to assure compliance with the TRIPS Agreement. These new laws established a legal framework for protecting intellectual property rights. However, it seems that gaps remain and some have raised doubts that the penalties actually imposed are sufficient to constitute an effective deterrent.

