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## REPORT

on the report from the Commission to the Council and the European Parliament  
on the Macao Special Administrative Region: First and Second Annual Reports  
(COM(2001) 432 - COM(2002) 445 - C5-0619/2002 - 2002/2275(INI))

Part 1: Motion for a resolution

Committee on Foreign Affairs, Human Rights, Common Security and Defence  
Policy

Rapporteur: Mário Soares



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## PROCEDURAL PAGE

At the sitting of 16 January 2003 the President of Parliament announced that the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on the report from the Commission to the Council and the European Parliament on the Macao Special Administrative Region: First and Second Annual Reports, and the Committee on Industry, External Trade, Research and Energy had been asked for its opinion.

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy had appointed Mário Soares rapporteur at its meeting of 11 September 2002.

The committee considered the draft report at its meetings of 18 February and 17-19 March 2003.

At the latter meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Elmar Brok, chairman; Christos Zacharakis, vice-chairman; Carlos Lage (for Mário Soares, rapporteur, pursuant to Rule 153(2)), Ole Andreasen, Per-Arne Arvidsson, Alexandros Baltas, André Brie, Véronique De Keyser, Rosa M. Díez González, Hélène Flautre (for Joost Lagendijk), Glyn Ford, Pernille Frahm (for Pedro Marset Campos), Michael Gahler, Per Gahrton, Vitaliano Gemelli (for Gerardo Galeote Quecedo), Alfred Gomolka, Ulpu Iivari (for Klaus Hänsch), Georg Jarzembowski (for Karl von Wogau), Efstratios Korakas, Armin Laschet, Nelly Maes (for Reinhold Messner), Cecilia Malmström, Hugues Martin, Linda McAvan, Emilio Menéndez del Valle, Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germà, Arie M. Oostlander, Doris Pack (for Alain Lamassoure), Reino Paasilinna (for Catherine Lalumière), Jacques F. Poos, Luís Queiró, Lennart Sacrédeus (for Franco Marini), Jannis Sakellariou, José Ignacio Salafranca Sánchez-Neyra, Jacques Santer, Jürgen Schröder, Elisabeth Schroedter, Ioannis Souladakis, Ursula Stenzel, Ilkka Suominen, Charles Tannock, Gary Titley (for Hannes Swoboda), Joan Vallvé, Bob van den Bos and Demetrio Volcic.

The Committee on Industry, External Trade, Research and Energy decided on 8 October 2002 not to give an opinion.

The report was tabled on 31 March 2003.

## MOTION FOR A RESOLUTION

### **European Parliament resolution on the report from the Commission to the Council and the European Parliament on the Macao Special Administrative Region: First and Second Annual Reports (COM(2001) 432 - COM(2002) 445 - C5-0619/2002 -2002/2275(INI))**

*The European Parliament,*

- having regard to the first Annual Report by the European Commission on the Macao Special Administrative Region (COM(2001) 432) – C5-0619/2002,
  - having regard to the second Annual Report by the European Commission on the Macao Special Administrative Region (COM(2002) 445) – C5-0619/2002,
  - having regard to its resolution of 15 February 2001 on the Commission communication to the Council and the European Parliament: ‘The European Union and Macao: beyond 2000’<sup>1</sup>,
  - having regard to the visit to Brussels and to the European Parliament in June 2001 of the Chief Executive of the Macao Special Administrative Region, Mr Edmundo Ho,
  - having regard to the 9th annual meeting of the Macao-European Joint Committee in Brussels on 18 October 2002,
  - having regard to Rule 163 of its Rules of Procedure,
  - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0113/2003),
- A. whereas, pursuant to the Sino-Portuguese Joint Declaration on the Question of Macao, signed by China and Portugal on 13 April 1987, Macao became the Macao Special Administrative Region of China on 20 December 1999; and whereas China has promised that, under its ‘one country, two systems’ formula, Macao will enjoy a high degree of autonomy in all matters except defence and foreign affairs, and will retain its existing social system, economic structure, way of life and the bulk of its existing laws;
- B. whereas the Basic Law, approved in 1993 as the mini-constitution of the Macao Special Administrative Region (MSAR), states that the MSAR conducts external relations in areas such as trade, economy, financial and monetary affairs, shipping, communications and tourism;
- C. whereas EU-Macao relations are based on a Trade and Cooperation Agreement which came into effect on 1 January 1993, and whereas this constitutes a permanent framework for direct dialogue between the MSAR and the EU;

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<sup>1</sup> OJ C 276, 01.10.2001

- D. whereas a Joint Macao-European Committee meets annually to oversee the operation of the Agreement; and whereas, since the signature of the Agreement, the EU has invested around 1 MECU per year in cooperation projects with Macao; and whereas this illustrates the EU's continuing commitment to Macao;
  - E. whereas it is essential, following on from the final declaration issued after the ninth annual meeting of the EC-Macao Joint Committee, for the Commission, together with the MSAR, to explore innovative ways and means of enabling bilateral cooperation to be pursued on a broader basis in the future, taking into account in particular the substantial change to financial assistance brought about by the review of the Latin America and Asia Regulation (LAA Regulation),
  - F. whereas, however, despite the goodwill on both sides, direct bilateral cooperation between the EU and the MSAR has been declining and at present amounts to a solitary judicial cooperation project, implying a need for fresh impetus and greater energy in this area, employing new blueprints for action,
  - G. whereas the EU is Macao's third largest trading partner;
  - H. whereas Macao is an autonomous member of the WTO and whereas, according to the WTO, its economy remains one of the most open in the world;
  - I. whereas Macao, because of its history and long-standing links with Europe, in particular through Portugal, is well placed to act as a bridge between the European Union and the People's Republic of China (PRC),
  - J. whereas the governments of the MSAR and the PRC have both recently laid down and have been implementing a policy seeking to capitalise on Macao's position as a hub for China's relations with the entire Portuguese-speaking world; and whereas Portuguese is, in terms of the number of speakers, Europe's third most important world language,
1. Welcomes the commitment given by the Commission to continue to take a close interest in as well as to maintain its obligations to Macao after 20 December 1999 and to monitoring the situation in the territory by issuing annual reports; welcomes, therefore, the reports from the Commission for 2000 and 2001; recommends, as regards the future, that Parliament assess the Commission's annual reports on a regular basis every year, at least until such time as bilateral cooperation between the EU and the MSAR has attained the momentum, breadth, and quality commensurate with the interests of all the parties;
  2. Points out that the stable and prosperous development of Macao is in the interests of both the PRC and the EU, and that Macao has an important role to play as a gateway to other regions in China and can act as a key facilitator for exchanges of all kinds between the EU and China; notes that Macao's links with Europe go back over 500 years;
  3. Regrets that the EU and the MSAR have not yet sufficiently intensified links between them in various fields, and points out that traditional links should be extended even further in the economic and social arenas and in the cultural and political spheres;

4. Reiterates its support for the full implementation and upholding of the Basic Law of the MSAR under the 'one country, two systems' principle; is pleased to note, therefore, that, three years after the handover, both the Central Government in Beijing and the MSAR government continue to attach great importance to this principle and that the Macao government continues to administer the SAR, internally and internationally, in an autonomous way, as set out in the Basic Law;

### ***Institutional developments***

5. Agrees with the Commission's assessment that, for Macao, the first year after reversion was primarily one of adaptation and putting its institutions into place, and the second year saw a consolidation of the institutions established in 2000;
6. Draws attention to the successful first legislative elections after the handover, held in 2001, and notes that the two-seat increase in seats elected by direct universal suffrage is a first step in the process of progressive democratisation;
7. Welcomes the emphasis of the MSAR Government on the importance of consolidating regional cooperation, and of administrative reform; congratulates Macao on its efforts to re-organise certain branches of the administration, including the establishment of a unified Customs Service, unifying command of the police, creating a General Office of Civil Affairs to deal with the tasks previously carried out by the two provisional municipal governments; welcomes, also, the training seminars for officials aimed at improving the efficiency and quality of public services;

### ***EU - Macao Relations***

8. Welcomes the launching, after Macao's reversion to China, of a four-year Cooperation Programme in the Legal Field between the EU and Macao, whose overall objective is the consolidation of the Macao Legal System;
9. Takes positive note of the intention expressed by Macao and Portugal to foster links for further cooperation between them in order to enforce the Judiciary Cooperation Agreement signed in 2001 in Lisbon; welcomes the successful completion in 2002 of projects such as the Macao-Europe Centre for Advanced Tourism Studies, the Macao Institute of European Studies and the Macao Services Development Programme;
10. Endorses fully the EU Decision of March 2001 to grant visa-free access to Macao SAR passport-holders; notes that the EC-Macao Re-admission Agreement has been initialled and trusts that it will be possible to successfully finalise the Agreement in 2003;
11. Reiterates its call for the Commission to appoint an EU-Macao Cooperation officer to the MSAR, as announced in the Commission Communication of 2000; encourages further and more systematic links between its parliamentarians and those of the MSAR Legislative Assembly and recommends, at some point, the creation of an EP-MSAR Friendship Group; and encourages the broadening and enhancing of links between academic, cultural and scientific institutions in the two regions;

### ***Economic situation***

12. Is aware of the fact that, since the handover to China, the MSAR's economy has continued to develop, and notes that, thanks to its healthy tourism sector, the MSAR's economic growth rate was 7 % in 2002;
13. Welcomes MSAR Chief Executive Mr Edmundo Ho's announcement in his 2003 Policy Address of a major investment in public projects, expected to create 8000 jobs;
14. Urges the MSAR government to come up with a considered policy to address the problems associated with the planned phasing-out of the textile quota due by 2005, as this sector currently employs over 22 % of the working population;
15. Notes that the respective Chief Executives of the MSAR and HKSAR share the same views on the integrated development of the Pearl River Delta;

### ***Other issues***

16. Takes note of the fact that Macao and mainland China have been discussing reinforcing cooperation in the fight against money laundering and terrorism;
17. Urges the MSAR government to incorporate both the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights into specific MSAR legislation as soon as possible;

### ***General appraisal***

18. Finds that, overall, three years after the handover, the situation in the MSAR is evolving in a satisfactory way, maintaining Macao's specific characteristics, institutionally, economically and socially;
19. Reiterates its view that the EU is in a position to make a vital contribution to safeguarding the high degree of autonomy enjoyed by the MSAR and its unique character, which are inherent to the 'one country, two systems' principle;
20. Urges the Commission, working together with the MSAR in a creative approach, to explore the ways and means required for significant expansion in EU-Macao cooperation, as agreed in the final declaration of the ninth annual meeting of the EC-Macao Joint Committee;
21. Urges the European Union, at all institutional levels, to continue its support for Macao and to maintain the Macao issue as an important point of discussion in the EU-China dialogue;
22. Welcomes the decision of the MSAR Government, expressly supported by the Government of the PRC, to assert and consolidate Macao's position as a centre for China's links with the countries whose official language is Portuguese; points to the particular importance of this policy in world terms, given that it will affect China's



relations with countries such as Portugal (in Europe), Brazil (in Latin America), or Cape Verde, Angola, and Mozambique (in Africa); expresses its firm belief that the Commission, the Council, and Parliament will not fail to keep this new policy under the most careful review and will lend their support whenever common interests are shown to exist;

23. Instructs its President to forward the resolution to the Council, the Commission, the Governments of the Member States, the Government and Legislative Assembly of the Macao SAR and the Government of the People's Republic of China.

## **EXPLANATORY STATEMENT**

### **Brief Background**

1. In December 1999 Macao became the Macao Special Administrative Region (MSAR) of China after many years under Portuguese administration.

Twelve years earlier, on 13 April 1987, the Joint Declaration of the Governments of the People's Republic of China and the Republic of Portugal on the Question of Macao had been signed by both countries, affirming that China would resume sovereignty over Macao on 20 December 1999.

In the interim period, China and Portugal cooperated smoothly on the question of the handover, China promising that, under its 'one country, two systems' formula, Macao would enjoy a high degree of autonomy in all matters except defence and foreign affairs, and would have its own executive, legislative and judicial powers. Macao would also retain its existing social system, its economic structure, way of life and the majority of its existing laws.

In 1993 the Basic Law, the mini-Constitution of the MSAR was adopted. Under the Basic Law, the MSAR would be entitled to conduct external relations in matters of trade, financial and monetary questions, shipping, communications, and tourism.

### **EU -Macao Special Administrative Region (MSAR) Links**

2. The EU has made very clear the importance it attaches to the full implementation of the Joint Declaration. The Commission's 1999 Communication entitled 'The EU and Macao: Beyond 2000' underlined the fact that the Commission would be taking a close interest in the matter and that it would be publishing an annual report on Macao. In February 2001 the European Parliament adopted a resolution on the Commission Communication, and the present European Parliament report follows on from the first and second Annual Reports by the Commission.

3. Essentially, in these early post-handover years, the situation in the MSAR appears to be evolving in a satisfactory way. Given that the successful implementation of the 'one country, two systems' principle requires the continued development of a well-trained and efficient public administration, it is very encouraging to see that Macao has been making efforts to strengthen its public administration as well as maintaining overall stability; Macao-mainland relations also continue to be very positive.

4. EU-Macao relations are based on a Trade and Cooperation Agreement which dates back to 1 January 1993 and has continued to remain in force even after the transfer of sovereignty. It covers trade and industrial, scientific and technical cooperation, and a Joint Committee meets on an annual basis to oversee its operation and to devise ways of furthering trade and co-operation links.

The latest meeting - the 9th, and the 3rd since reversion to China - took place in Brussels on 18 October 2002. At the end of the meeting, both sides concluded that intensive co-operation

between them will be maintained, not only in financial terms but also in people-to-people contacts and the transfer of knowledge.

Since the signature of the Agreement, the EU has invested around 1 MECU per year in co-operation projects with Macao. In addition, the EU is Macao's third largest trading partner after mainland China and the Special Administrative Region of Hong Kong (HKSAR). The EU absorbs approximately 27 % of Macao's total annual exports, and 12.4 % of Macao's imports came from the EU in 2001. Macao's trade surplus with the EU for that year was € 650 million.

5. In 2002 the EU and Macao launched a four-year 'Cooperation Programme in the legal field between the European Union and Macao'. The overall objective of this programme is to consolidate Macao's legal system by upgrading legal training at various levels.

The programme involves numerous actions covering the law-making process, promotion of the knowledge and awareness of the MSAR's legal system among local residents, legal translation, protection of intellectual property rights, dissemination of the MSAR's legal system in mainland China, and strengthening the collaboration between legal professionals in the MSAR and in the People's Republic of China (PRC).

6. Also worthy of mention are the successful Asia Invest and Asia Link programmes. The former is an initiative to promote and support cooperation between SMEs in the European Union, South and South-east Asia, and China; the latter aims to promote cooperation between universities in Europe and in Asia.

### **Future EU-MSAR Relations**

7. The long-standing links and cooperation between Macao and Portugal continue to be actively maintained in a number of fields. The rapporteur notes, among many actual and planned actions, the intention expressed by Macao and Portugal to strengthen cooperation between them to reinforce the Judiciary Cooperation Agreement signed in Lisbon in 2001, and to work towards the establishing of agreements for exchanging data and documents, extraditing fugitives, as well as cooperation on various judicial matters; the plan, later this year, to host an Economic Forum for Portuguese-speaking countries and China; an academic conference also planned for later this year, bringing together representatives of Portuguese-speaking universities.

There is already strong support from the central government in Beijing for Macao's role as an economic and cultural platform between the mainland and Portuguese-speaking countries. At the same time, Macao, because of its history and long-standing links with Europe, is certainly well placed to fulfil the role of a bridge between the EU and the People's Republic of China. The existing links and agreements between Macao and Portugal could serve as possible models for EU- Macao cooperation in the future.

8. In its earlier report, the European Parliament had called on the Commission to appoint an EC-Macao cooperation officer to Macao. This would still be a priority for this rapporteur as it would demonstrate Europe's continuing commitment to consolidating relations between the two sides.

Regrettably, the question of funding for this appears to be closely linked to the proposal for a new ALA (Asia and Latin America) regulation, in which Macao, together with other developed countries and territories such as South Korea and Hong Kong, would no longer be eligible for EC assistance.

The EU has proposed that Macao try to absorb as much funding as possible from the regional programmes (e.g. Asia Link, Asia Invest) in the course of 2003; it has also proposed the possibility of including Macao as a beneficiary in the Council Regulation for cooperation between the EU and industrialised countries.

The rapporteur looks forward to hearing from the Commission as to what progress is being made along the lines suggested.

At the parliamentary level, we would strongly recommend the setting up of an EP-Macao Parliamentary Friendship Group, with regular meetings held in both regions, to promote and deepen links between this Parliament and the MSAR Legislative Assembly.

### **Other issues**

#### **9. The Economy**

Despite the global economic downturn, Macao has managed, thanks to its healthy tourism sector driven especially by a surge from mainland China (9.46 million) to achieve a growth rate of 7% in 2002. In his 2003 Policy Address, the Chief Executive, Mr Edmundo Ho, estimated that economic growth would continue in 2003; and he unveiled plans to invest 1.8 billion patacas (USD 225 million) in public projects, expected to result in the creation of 8000 new jobs. This is a welcome development since unemployment is at around 6.5 %. Mr Ho reaffirmed that tourism and Macao's other important sector, gaming, would be the focus of development and that the government would be upgrading the gaming industry and improving services by introducing necessary rules and regulations and strengthening supervision and professional training.

#### **10. Article 23**

Under the Basic Law, Macao has the obligation to enact laws in fulfilment of Article 23 ('laws to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organisations or bodies from conducting political activities in the Region, and to prohibit political organisations or bodies of the Region from establishing ties with foreign political organisations or bodies').

On 1 October 2002 a draft law was produced, which was due to be submitted to the MSAR Legislative Assembly at the beginning of 2003. Macao's authorities have expressed their intention of consulting MSAR residents and local associations and organisations on this issue. It should be noted that the Portuguese authorities had made moves to incorporate further safeguards for human rights into Macaonese law before the handover to China.

## **11. Cooperation in the fight against money-laundering**

Macao and the mainland have been discussing reinforcing cooperation in the fight against money-laundering, terrorism and border crime. We look forward to the setting up by the MSAR government of the anti-money-laundering task force announced in August 2001.

## **Conclusion**

12. While Macao-mainland China relations continue to be very good and there appear to be no major problems - and, on present evidence, no grounds for thinking this may be different in the future - it should be stressed that the EU is in a position to contribute significantly to safeguarding the MSAR's high degree of autonomy and its unique character, inherent to the principle of 'one country, two systems'. For this reason, the rapporteur urges the European Union, at all institutional levels, to continue its support for Macao and to keep the Macao issue high on the agenda, in particular as part of the EU-China dialogue.