



Executive Summary

Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) on December 20, 1999. Macau's status, since reverting to Chinese sovereignty, is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of “One Country, Two Systems” articulated in these documents, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for fifty years. The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy. The GOM is committed to maintaining an investor-friendly environment.

In 2002, the GOM ended a long-standing gaming monopoly, awarding two gaming concessions to consortia with U.S. interests. This opening has encouraged substantial U.S. investment in casinos and hotels, and has spurred exceptionally rapid economic growth over the last few years.

Macau is today the undisputed gaming capital of the world, having surpassed Las Vegas in terms of gambling revenue in 2006. U.S. investment over the past decade is estimated to exceed US\$10 billion. In addition to gaming, Macau is positioning itself to be a regional center for incentive travel, conventions, and tourism. The American business community in Macau has continued to grow. In 2007, business leaders founded the American Chamber of Commerce of Macau.

1. Openness to, and Restrictions Upon, Foreign Investment

Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) on December 20, 1999. Macau's status, since reverting to Chinese sovereignty, is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law, Macau's constitution. Under the concept of “One Country, Two Systems” articulated in these documents, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for fifty years. The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy. Macau has separate membership in the World Trade Organization (WTO).

The GOM aims to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. Corporate taxes are low with a tax rate of 12 percent for companies whose net profits exceed US\$37,500 (300,000 Patacas). For net profits less than US\$37,500, the tax ranges from three percent to 12 percent. The top personal tax rate is 12 percent; however, the tax rate of casino concessionaries is 35 percent on gross gaming revenue, plus a four percent contribution for culture, infrastructure, tourism, and a social security fund.

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In 2004, Macau and the PRC implemented a free trade agreement, the Closer Economic Partnership Arrangement (CEPA). The agreement is similar to the Hong Kong-PRC CEPA. Macau's CEPA currently provides tariff-free access to Mainland China for all Macau-origin products and preferential treatment for 48 service sectors. The GOM plans to achieve "basic" service sector liberalization between Macau and Guangdong Province by the end of 2014 and between Macau and all of Mainland China by the end of 2015. In 2005, the Government inaugurated a cross-border industrial zone located between the northern part of Macau and Zhuhai. Eleven manufacturers are operating in the industrial zone.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category – textiles and apparel – accounts for approximately 9.3 percent of its goods exports. In the first three quarters of 2014, Macau's textile and apparel exports decreased by 8.0 percent, the result of continued decline since the elimination of the textile quota system at the end of 2004.

Foreign firms and individuals are free to establish companies, branches, and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in, Macau.

Since 2001, the GOM has been steadily liberalizing its telecommunications sector. The GOM has already liberalized the mobile phone and Internet service markets. In November 2011, Macau Chief Executive Fernando Chui announced plans to liberalize the fixed-line public telecommunications network, which is monopolized by Companhia de Telecomunicações de Macau (CTM) under a concessionary contract, which expired at the end of 2011. In June 2013, the GOM granted two licenses to CTM and to MTel Communications Co Ltd (MTel), ending Macau's 32-year-old fixed-line telephone monopoly.

Certain residency requirements are imposed on three professional services sectors as described below:

Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.

Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.

Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. Foreign lawyers must also pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is given in

Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve an 18-month internship before they are able to practice law in Macau.

TABLE 1: Rankings

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	N.A.	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(29 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	N.A.	http://doingbusiness.org/rankings
Global Innovation Index	2013	N.A.	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2011	USD 55,720	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the Hong Kong Dollar at 1.03 and indirectly to the U.S. Dollar at an exchange rate of approximately MOP 7.99 = US\$1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong Dollar.

Although Macau imposes no restrictions on capital flows and foreign exchange operations, exporters are required to convert 40 percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

3. Expropriation and Compensation

The U.S. Consulate General is not aware of any expropriation actions. Expropriation of property may occur if it is in the public interest. In such cases, the Macau SAR Government will exchange the private property with an equivalent public property based on the valuation and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

4. Dispute Settlement

The U.S. Consulate General is aware of one investor-state dispute involving U.S. or other foreign investors or contractors and the Macau SAR Government. In March 2010, low cost carrier airline Viva Macau was reportedly forced to cancel flight services related to an alleged credit dispute with its fuel provider, triggering events which led to the airline's de-licensing. Macau courts declared the airline bankrupt in September 2010. Viva Macau's major shareholder, a U.S. private investment company, filed a case in the Macau courts seeking a judgment whether a GOM administrative act led to Viva Macau's demise and, if so, if such an act was legal. The Court of Second Instance held hearings on Viva Macau's appeal in May and June 2012. In November 2013, the Court of Second Instance rejected the appeal. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center or the World Trade Center Macau Arbitration Center.

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The Macau SAR Government accepts international arbitration of investment disputes between itself and investors.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). Courts in Macau include the Court of Final Appeal, Intermediate Courts, and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M). Macau's dramatic economic expansion in the last few years, combined with a shortage of qualified jurists, have put a strain on the operations of the judicial system, leading in some cases to delays in case resolution of over two years. In a 2011 speech, the President of the Court of Final Appeal observed that Macau required an additional 20 judges. In that same year, Secretary for Administration and Justice Florinda da Rosa Silva Chan stated that Macau lacked a total of 110 judicial clerks. In response, the GOM has increased the number of judge and judicial clerk training programs. In September 2013, the GOM appointed six new judges and six new prosecutors.

5. Performance Requirements and Incentives

To attract foreign investment, the Macau SAR Government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 23/98/M and 49/85/M and are provided so long as companies can prove they are doing one of the following: promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, or contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives, and export diversification incentives. Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies. Export diversification

incentives include subsidies given to companies and trade associations attending trade promotion activities organized by the Macau Trade and Investment Promotion Institute. Only companies registered with Macau Economic Services may receive subsidies for costs such as space rental or audio-visual material production. Macau also provides other subsidies for the installation of anti-pollution equipment.

6. Right to Private Ownership and Establishment

Macau law and regulations provide for the right of foreign and domestic private entities to establish, acquire, and dispose of interests in business enterprises.

7. Protection of Property Rights

Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Bern Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are compatible with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and government offices are required to use only licensed software. The Macau SAR Government devotes considerable attention to intellectual property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services uses an expedited prosecution arrangement to speed up punishment of accused retailers of pirated products.

Macau Customs has worked to combat optical disc piracy in recent years, resulting in the closure of all illicit optical disc production lines in Macau. Macau Customs also maintains an enforcement department to investigate incidents of intellectual property (IP) theft. Macau Customs works closely with Mainland Chinese authorities, foreign customs agencies, and the World Customs Organization to share best practices to address criminal organizations engaging in IP theft.

Since 2010, Macau has accelerated the registration processes for trademarks and patents by doubling the publication frequency of applications. In February 2012, the Legislative Assembly passed a bill to "Modify the Copyright System and Related Rights," which revised the existing copyright law by extending protections to Internet and digital technology. Today, copyright infringement for trade or business purposes is subject to a fine or a maximum imprisonment of four years. Since the enactment of the law, signal piracy (including U.S. origin program content) has been reduced.

Resources for Rights Holders:

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For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. Local lawyers list: http://hongkong.usconsulate.gov/acs_attorneys.html

8. Transparency of Regulatory System

The GOM has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

9. Efficient Capital Markets and Portfolio Investment

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are twenty-nine financial institutions in Macau, including 11 local banks and 18 branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, six exchange counters and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from Mainland China and Portugal had a combined market share of about 81.1 percent of total deposits in the banking system at the end of 2012. Total deposits amounted to US\$55.9 billion in February 2014. In March 2014, banks in Macau maintained a capital adequacy ratio of 15.49 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

In December 2009, the Macau Monetary Authority (MMA) signed a memorandum with the People's Bank of China to develop the Renminbi (RMB) settlement mechanism for cross-border trade. According to the memorandum, the quota on the value of RMB exchange for each individual transaction increased from RMB 6,000 (US\$878) to RMB 20,000 (US\$2,928). The list of designated merchants who are allowed to exchange RMB for Pataca from Macau banks was expanded to include institutions that provide telecommunications, education, and exhibition/convention services. In addition, Macau residents are allowed to use RMB cheques to pay for consumer spending in Guangdong Province up to RMB 50,000 (US\$7,320) per account per day. Since 2010, the People's Bank of China has been providing the cross-border settlement of funds for Macau residents and institutions involved in transactions for RMB bonds issued in

Hong Kong. Macau residents and institutions can purchase or sell, through Macau RMB participating banks, the RMB bonds issued in Hong Kong. In March 2012, in an effort to diversify its asset portfolio, the MMA signed an agreement with the People's Bank of China to acquire up to RMB 10 billion in RMB bonds. In December 2013, China doubled the quota for investment in the mainland bond market to RMB 20 billion.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock market. Macau and Hong Kong financial regulatory authorities also cooperate on issues of mutual concern. Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are 11 life insurance companies and 12 non-life insurance companies in Macau. Total gross premium income from insurance services amounted to US\$680 million in 2012.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Macau Monetary Authority. Profits derived from offshore activities are fully exempted from all form of taxes. In June 2012, the Legislative Assembly passed a draft bill for a deposit protection scheme. The new law (Law 9/2012), which has been in effect since October 2012, stipulates that banks compensate depositors up to a maximum of MOP 500,000 (US\$62,500) in case of a bank failure. To finance the deposit protection scheme, the GOM has injected MOP 150 million (US\$18.75 million) into the deposit protection fund, while banks need to pay an annual contribution of 0.05 percent of the amount of protected deposits held.

10. Competition from State-Owned Enterprises

In absolute terms, Macau's gaming sector accounts for over 70 percent of the local economy, though the GOM has no ownership in any gaming companies. Several economic sectors – including cable television, telecommunications, electricity, and airport/port management are run by private companies under concession contracts from the GOM. The GOM holds a small percentage of shares (ranging from one to ten percent) in these government-affiliated enterprises. The government set out in its 1999 Commercial Code the basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. Court cases related to anti-competitive behavior remain rare.

11. Corporate Social Responsibility (CSR)

The six gaming concessionaires that dominate Macau's economy pay four percent of gross gaming revenues to the government to fund cultural and social programs in the SAR. Several operators also directly fund gaming addiction rehabilitation programs. Some government-affiliated entities maintain active CSR programs. For example, Companhia de Electricidade de Macau, an electric utility, sponsored Macau's regional Special Olympics program in January 2010, and the company's volunteer programs include education programs and repair services provided free-of-charge to underprivileged residents. Since 2007, the Junior Chamber International Macau (JCIM) has held an annual Corporate Social Responsibility International Forum to promote CSR programs. At the 2013 forum, the JCIM Chairman said that Macau

companies had displayed a great improvement in observing social responsibility, but stressed that there was room for Macau to improve further.

12. Political Violence

Macau is politically stable. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

13. Corruption

Macau's anti-corruption agency is the Commission Against Corruption (known by its Portuguese acronym CCAC). The CCAC's highest profile case was Macau Transport and Public Works Secretary Ao Man Long's 27-year prison sentence in 2008. Ao was convicted of accepting bribes from real estate and construction companies in exchange for contract approvals in 20 public works projects. Until 2009, the CCAC's overall effectiveness remained constrained by legislation limiting the scope of its authority to government-sector corruption. In August 2009, the Legislative Assembly passed an amendment that empowered the CCAC to also investigate private-sector corruption.

Resources to report corruption

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14. Bilateral Investment Agreements

Macau has signed investment protection agreements with Portugal and the Netherlands.

15. OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

16. Labor

Macau's unemployment rate in March 2014 was 1.7 percent, down from a high of 6.1 percent in 2003, primarily due to the increase in gaming facilities, retail trade, construction, and hotels. Foreign businesses cite the constant shortage of skilled workers – a result of the past decade's boom in entertainment facilities – as a top constraint on their operations and future expansion. The government is studying proposals to resolve the human resources problem. For example, Macau has labor importation schemes for unskilled and skilled workers who cannot be recruited locally. In November 2012, Macau Chief Executive Fernando Chui announced that the Central Government has approved the importation of domestic helpers from Mainland China. As a pilot scheme, the GOM imported 202 and 36 domestic helpers from the provinces of Guangdong and Fujian in March 2014, respectively.

The GOM has also put measures in place to replace some foreign workers with Macau residents. In 2009, the Legislative Assembly passed a bill that established criminal penalties for employers of illegal migrants and prevented foreign workers from changing employers in Macau. The Government has used the proceeds of a tax on the import of temporary workers for retraining local unemployed people.

17. Foreign Trade Zones/Free Ports

Macau is a free port; however, there are four types of dutiable commodities: liquors, tobacco, vehicles, and petrol. Licenses must be obtained from the Economic Service Bureau prior to importation.

There are a number of significant infrastructure projects in Macau, including:

Light Rail Transit (LTR) System

In 2003, in an effort to relieve traffic congestion, the Macau Government proposed to build a 21-km LTR, which will connect Macau Peninsula, Taipa, and Cotai with 21 stations. After years of research, the GOM commenced the first phase in November 2011. The GOM expects to complete the LTR by February 2015 and to increase the number of passengers from 8,000 in the early stage of operation to 14,200 by 2020.

Hong Kong-Zhuhai-Macau Bridge

The construction of the Macau section of the 29-km bridge started in December 2009. The bridge is expected to better link Hong Kong, Zhuhai, and Macau with the less developed western part of the Pearl River Delta region. The bridge is scheduled for completion in 2016.

Pac On Ferry Terminal

A new ferry terminal at Taipa is due for completion in mid-2014. It will become Macau's main maritime border crossing with a capacity for 15 million passengers a year.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the Direct Investment Statistics 2012 compiled by the Statistics and Census Service, there were 2,115 foreign direct investment companies in Macau, employing 122,860 workers. Hong Kong was the largest foreign investor in Macau, accounting for 25.9 percent of total foreign direct investment. Officially, the United States was the eighth largest foreign investor in Macau, accounting for 0.4 percent of foreign direct investment (US\$71.6 million). Some observers, however, have estimated the figure of U.S. investment to be as high as US \$10 billion, which would make the U.S. the number one foreign investor. Major U.S. investments include the hotels and casinos operated by Sands, Wynn, and MGM.

Table 1: Key Macroeconomic data, U.S. FDI in Macau

Economic Data	Macau Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
	Year	Amount	Year	Amount	
Macau Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	51,684	2013	N.A.	N.A.
Foreign Direct Investment	Macau Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Macau (Millions U.S. Dollars, stock positions)	2012	71.6	2012	N.A.	N.A.
Macau's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	N.A.	2012	N.A.	N.A.
Total inbound stock of FDI as % Macau's GDP (calculate)	2012	44.1	2012	46.0	http://cds.imf.org

Source: Macau Statistics and Census Service

TABLE 2: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	19,749	100%	Total Outward	1,217	100%

Cayman Islands	6,182	31%	China, P.R.: Hong Kong	585	48%
China, P.R.: Hong Kong	5,275	27%	China, P.R.: Mainland	392	32%
Virgin Islands, British	4,230	21%			
China, P.R.: Mainland	2,314	12%			
Portugal	895	5%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: <http://cds.imf.org>

Notes: Macau's data are consistent with the IMF statistics.

TABLE 3: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	38,876	100%	All Countries	17,352	100%	All Countries	21,524	100%
China, P.R.: Mainland	16,220	42%	China, P.R.: Hong Kong	9,656	56%	China, P.R.: Mainland	13,096	61%
China, P.R.: Hong Kong	11,682	30%	China, P.R.: Mainland	3,125	18%	China, P.R.: Hong Kong	2,026	9%
Cayman Islands	1,500	4%	Luxembourg	1,118	6%	United States	919	4%
Luxembourg	1,397	4%	Cayman Islands	1,008	6%	Netherlands	562	3%
United States	1,189	3%	United Kingdom	608	4%	Cayman Islands	493	2%

Source: <http://cpis.imf.org>

Note: The Macau Statistics and Census Service does not publish the statistics of portfolio investment assets.

19. Contact Point at Post

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