2009 will mark the tenth anniversary of Macao’s return to China and the establishment of the Macao Special Administrative Region. Since this reunification, Macao has witnessed a steady increase in economic strength and effective improvement of popular living standards through the implementation of principles including “one country, two systems”, “Macao people governing Macao” and “high degree of autonomy”. Macao’s average annual economic growth rate over the past nine years reached double-digit figures, and Macao’s Gross Domestic Product (GDP) totalled MOP 171.8 billion in 2008, with real growth of 13.2 percent. Macao’s total public finances revenue exceeded MOP 51 billion in 2008, tripling the 1999 revenue of MOP 16.9 billion. Macao’s total foreign currency reserves have increased from MOP 22.9 billion in 1999 to more than MOP 137 billion at present. Macao residents’ median monthly employment earnings have increased to the current figure of MOP 8,600, approximately 1.8 times the 1999 figure; Macao’s residents’ total deposits have increased to over MOP 192 billion, 2.2 times the 1999 figure; Macao’s Human Development Index has risen from 0.867 in 1999 to 0.943 in 2006 and Macao’s Gini coefficient has decreased from 0.43 in 1999 to 0.37 in 2008.

The Blue Book on Urban Competitiveness《城市竞争力蓝皮书》published in 2009 compared the overall competitiveness of 294 cities at the prefecture level or above and found that Macao ranked sixth for economic efficiency competitiveness, ninth for industry-level competitiveness, and third for quality of life competitiveness. A comparison of the competitiveness of 51 key cities on 12 sub-items found that Macao ranked sixth for talent competitiveness, ninth for capital competitiveness, ninth for structural competitiveness, eighth for infrastructure

1 Project Leader: Wu Chengye; Participating Units: Institute of Quantitative Economics, Huaqiao University; Macao Development Strategy Research Centre.
competitiveness, ninth for integrated location competitiveness, tenth for institutional competitiveness and fourth for government management competitiveness. In “Ranking List of Chinese Cities by Classification Advantage, 2009”, Macao ranked ninth in the Top Ten Provinces and Regions of China on Overall Competitiveness; it also ranked third in China’s International Cities List for the second consecutive year. Macao was listed for the first time in the 2009 Global Index of Economic Freedom, ranking 21st among 179 economies worldwide and 6th in the Asia-Pacific region; it is rated as “relatively free”, reflecting Macao’s active efforts to attract foreign investment, closer communication with the outside world and increasingly transparency. Supplementary Agreement V of the Closer Economic Partnership Agreement between the Mainland and Macao 《<内地与澳门关于建立更紧密经贸关系的安排>补充协议五》(CEPA Supplementary Agreement V for short), signed on July 30, 2008, was put into implementation on January 1, 2009, providing more open measures governing medical treatment and distribution, etc. CEPA Supplementary Agreement VI 《<安排>补充协议六》 was signed on May 11, 2009, qualifying a further 475 Macao commodities under the CEPA for zero duty as of July 1, and further relaxing market access conditions in the tourism, banking, securities, conference and exhibition, law, creative industries, and research and development sectors, facilitating the promotion of appropriate diversification as part of Macao’s economic development.

I. Macao’s Overall Economic Situation

Macao’s GDP growth declined on a quarterly basis in 2008, recording 32 percent, 22 percent, 10 percent in the first, second and third quarters respectively; in the fourth quarter in particular, economic growth turned negative, registering −7.6 percent in real terms due to a decline in gambling service exports, investment and exports of goods, also marking the first quarterly negative growth in almost five years. The global financial tsunami broke out in 2008 and triggered a decline in the real economy in the second half. The impact of the financial crisis and the reduction in the number of individual visitors from the Mainland to Macao emerged, the growth in gambling tourism begun to slow down and overall investment continued to fall, resulting in a marked economic contraction. Macao’s economy grew by −12.8 percent in real terms in the first half of 2009. The negative growth of the