

Smooth Sovereignty Handover of Macau: The Socio-Economic Factors

By

Lao Sio Wu, Isabel

TABLE OF CONTENTS

ACKNOWLEDGMENT

CHAPTER I

1.1 THE OBJECTIVE.....	1
1.2 THE ORGANIZATION OF THE THESIS	3
1.3 BACKGROUND INFORMATION ABOUT MACAO.....	4

CHAPTER II

2.1 A BRIEF REVIEW OF THE DEVELOPMENT OF THE ECONOMY OF CONTEMPORARY MACAO.....	7
2.1.1 THE WAVE UPON WAVE ADVANCEMENT OF THE ECONOMY OF MACAO IN THE PAST FORTY YEARS7	
2.1.1.1 <i>The Difficult Period (1950-1956)</i>	7
2.1.1.2 <i>The Recovery Period (1957-1962)</i>	8
2.1.1.3 <i>The Unstable Period (1963-1975)</i>	9
2.1.1.4 <i>The Golden Age (1976-1993)</i>	10
2.1.2 FACTORS OF THE ADVANCEMENT OF THE ECONOMY OF MACAO.....	12
2.1.2.1 <i>Improved Relationship between China and Portugal</i>	12
2.1.2.2 <i>Open Door Policy Implemented by PRC</i>	13
2.1.2.3 <i>Favorable Status Granted for Industrial Products</i>	14
2.1.2.4 <i>Sufficient and Cheap Labor Force</i>	14
2.1.2.5 <i>Improvement in the Infrastructures Availability</i>	15
2.1.2.6 <i>Superiority in Location</i>	16
2.2 AN OVERVIEW OF THE PRESENT ECONOMIC DEVELOPMENT	17
2.2.1 THE BASIC FEATURES OF MACAO ECONOMY	17
2.2.1.1 <i>Reliance on Outside Aid</i>	17
2.2.1.2 <i>Liberal Economic Policy and Regulations</i>	18
2.2.1.3 <i>Small Scale of Economy</i>	18
2.2.1.4 <i>Transformation of the Economic Development</i>	19
2.2.2 THE PRESENT PHASE OF THE ECONOMIC DEVELOPMENT.....	19
2.2.2.1 <i>Accelerated Increase in the Scale of the Local Economy</i>	19
2.2.2.2 <i>Functions of the City Tends to be Diversified, and Macao has Made a Big Step into the Modernized and Internationalized City</i>	20
2.2.2.3 <i>A Clear Outline of the Four Main Support or the Four Leading Industries for the Local Economy has been Developing</i>	21
2.2.2.4 <i>Diversification is the New Tendency for the Economic Development</i>	21
2.2.2.5 <i>The Link between Macao and the World Economy has been Continuously Enhancing</i>	22
2.2.2.6 <i>The Breakthrough in the Development of the Human Resources</i>	23
2.2.3 THE RECENT PERFORMANCE OF THE ECONOMIC DEVELOPMENT	24
2.2.3.1 <i>The Economy of Macao - 1993</i>	24
2.2.3.2 <i>The Economy of Macao - 1994</i>	25

2.2.3.3 <i>The Economy of Macao - 1995</i>	27
2.2.3.4 <i>The Economy of Macao - 1996</i>	29
2.2.4 A PREVIEW FOR THE ECONOMY OF 1997	31
2.2.4.1 <i>Better Performance in the World Economy</i>	31
2.2.4.2 <i>Continuous Support from the Economy of PRC</i>	31
2.2.4.3 <i>Influence by the Clearer Situation of Hong Kong</i>	31
2.3 CONCLUSION	33
2.3.1 THE MAIN PROBLEMS EXISTING IN THE 4 LEADING INDUSTRIES	34
2.3.1.1 <i>Slow Growth in the Tourism Sector</i>	34
2.3.1.2 <i>The Decline in the Real Estate Market</i>	34
2.3.1.3 <i>Contraction in the Manufacturing Industry</i>	35
2.3.1.4 <i>Keen Competition between Banks</i>	35

CHAPTER III

3.1 THE IMPORTANCE OF A PRIVILEGED INVESTMENT ENVIRONMENT TO THE ECONOMY	37
3.1.1 MACAO - A WELCOMING ENVIRONMENT FOR BUSINESS	37
3.2 THE PRESENT INVESTMENT ENVIRONMENT OF MACAO	39
3.2.1 ECONOMICALLY ATTRACTIVE	39
3.2.1.1 <i>Good Location - As a Gateway to China</i>	39
3.2.1.2 <i>Free Port, Low Taxation</i>	40
3.2.1.3 <i>Low Taxation</i>	40
3.2.1.4 <i>Available Labor Force and Flats</i>	41
3.2.2 INTERNATIONAL STANDARD FINANCIAL SYSTEM	42
3.2.3 INFRASTRUCTURES AVAILABILITY	43
3.2.3.1 <i>Accessible by Land, Sea and Air</i>	43
3.2.4 TECHNOLOGICAL DEVELOPMENT	44
3.2.4.1 <i>Communications</i>	44
3.2.4.2 <i>Electricity - From - Refuse</i>	45
3.2.5 RELATIONS OVERSEAS	45
3.2.6 GOVERNMENT SUPPORT	47
3.2.6.1 <i>Interest Relief</i>	47
3.2.6.2 <i>Reduction and Exemptions</i>	48
3.2.6.3 <i>IPIM - Macao Trade and Investment Promotion Institute</i>	48
3.2.7 FORMULATION OF POLICY IN FAVOR OF INVESTORS	50
3.3 INVESTIGATION OF THE PRESENT INVESTMENT ENVIRONMENT	52
3.3.1 RESEARCH METHODOLOGY	52
3.3.2 LIMITATIONS	53
3.3.3 A SUMMARY OF THE RESEARCH FINDINGS	54
3.3.3 RECOMMENDATIONS FOR IMPROVEMENTS	57
3.3.3.1 <i>Problems existing in the present investment environment</i>	58

CHAPTER IV

4.1 THE TRADING RELATIONSHIP BETWEEN MACAO AND GUANGDONG.....	62
4.1.1 A COMPARATIVE STUDY OF BOTH ECONOMIES	63
4.1.2 TRADING BETWEEN MACAO AND GUANGDONG	65
4.1.2.1 <i>Development Conditions</i>	65
4.1.2.2 <i>Effect and Significance</i>	66
4.1.2.3 <i>Favorable Conditions</i>	67
4.1.2.4 <i>Different Forms of Cooperation</i>	68
4.2 EXTENSIVE ECONOMIC COOPERATION BETWEEN MACAO AND GUANGDONG..	70
4.2.1 MACAO AS A WINDOW AS WELL AS A BRIDGE TO THE OUTSIDE WORLD	71
4.2.2 RELATIONS REGARDING TOURISM HAS BEEN ESTABLISHED	71
4.2.3 WATER AND ELECTRICITY SUPPLIED BY GUANGDONG	72
4.2.4 MACAO'S INFRASTRUCTURES PROJECTS ARE ALWAYS SUPPORTED BY GUANGDONG	73
4.2.5 THE INDUSTRIAL TRANSFORMATION BETWEEN MACAO AND GUANGDONG	74

CHAPTER V

5.1 ESTABLISHMENT OF ECONOMIC DEVELOPMENT TARGETS AND DIRECTIONS..	76
---	-----------

CHAPTER VI

6.1 EASIER TRANSITION	78
6.2 MAINTAINING SOCIAL STABILITY	80
6.2.1 STABILITY IN POLITICS	80
6.2.2 STABILITY IN CONFIDENCE	83
6.2.3 STABILITY IN STANDARD OF LIVING	84

CHAPTER VII

7.1 THE FUTURE SARM	85
7.2 DEVELOPING LINKS WITH CHINA	86

CHAPTER VIII

8.1 THE INVESTMENT ENVIRONMENT	88
8.1.1 ADVANTAGEOUS STRATEGIC LOCATION.....	88
8.1.2 GOVERNMENT SUPPORT.....	89
8.1.3 SIMPLE AND ATTRACTIVE TAXATION SYSTEM	89
8.1.4 CLOSE LINK BETWEEN MACAO AND THE INTERNATIONAL MARKET	90
8.1.5 CHEAPER COST OF DOING BUSINESS.....	90

8.1.6 WORK FORCE WITH POTENTIALITY.....	91
8.1.7 IMPROVEMENT IN THE INFRASTRUCTURES.....	92
8.2 THE PROSPECT OF MACAO'S ECONOMY.....	94
8.3 PROSPECTS FOR FUTURE RESEARCH.....	98

APPENDIX

BIBLIOGRAPHY