

Macau Celebrates the 20th Anniversary of its Return to China: A Shining Star under the “One Country, Two Systems” Model?

*By YU Hong**

In December 2019, Chinese President Xi Jinping was in Macau to celebrate the 20th anniversary of its return to China. President Xi lauded the former Portuguese colony’s achievements and progress, declaring that the island’s transformation since its return to the motherland highlighted the “viability and strength” of the “One Country, Two Systems” model.

A constitutional framework established by the late Chinese leader Deng Xiaoping in the early 1980s, the One Country, Two Systems (OCTS) model aims to provide political coverage for the peaceful return of colonial territories, namely, Hong Kong and Macau, to China and space for adjustment.

As Special Administrative Regions, Hong Kong and Macau would retain a high degree of autonomy, holding executive, legislative and judicial powers, but accept China’s sovereignty over matters such as foreign affairs and defence, for 50 years.

In Macau, the chief executive is chosen by a 400-strong committee comprising business, political and societal leaders approved by Beijing – a similar arrangement to Hong Kong’s.

THE HONG KONG PROTESTS AND MACAU

However, the Hong Kong protests since June 2019 have brought into sharper focus questions about this model of governance.

What began as a protest against a proposed law that could allow extradition to China soon ballooned into mass demonstrations and a wider call for other political freedoms, which many Hongkongers see as their unique core values.

The resulting violence has been unprecedented. It has created the biggest governance crisis ever faced by the Hong Kong government since the territory’s handover to China in 1997.

At its heart are questions about a political system that sees the chief executive selected by political, business and societal leaders rather than Hongkongers. However, observers have also pointed to Hong Kong’s housing, employment and inequality woes.

In sharp contrast, Macau has been lauded for its political stability and economic prosperity. It has escaped rather unscathed by the political divisions that have rocked Hong Kong, even though Macau is merely a one-hour ferry ride away from Hong Kong.

MACAU'S ECONOMIC GATEWAY TO THE PORTUGUESE SPEAKING WORLD

Even before its handover in 1999 to mainland China, Macau attempted to maintain strong socioeconomic ties with the Mainland and sustain its local economy by leveraging its role as a gateway for China to the world.

In particular, based on its historical, cultural and economic links with Portugal, Macau is keen to act as a bridge between China and Portuguese-speaking countries in Europe, Africa and Latin America.

Once a maritime hub for trade between China, Southeast Asia and Europe along the Silk Road, Macau sees a role for itself in boosting commercial and trade ties between China and Portuguese-speaking nations.

It therefore established a permanent secretariat to staff the Forum for Economic and Trade Cooperation between China and Portuguese-speaking countries, formed in 2003, to drive economic, commercial, cultural and educational exchanges among members, with a ministerial conference to take stock of progress every three years.

Through such platforms and other exchanges, Macau has played a critical interlocutor role, aiding Chinese firms to gain wider access to Portugal and other Portuguese-speaking markets in Latin America.

MACAU'S ECONOMY POWERS ON

The OCTS model is working well in Macau. Economically, Macau's rapid economic growth since the 1999 handover owes in large part to the various supportive policies by Beijing, including pro-gaming policies, that have transformed the city.

Macau's gambling facilities have also played host to tourists from Chinese cities, accounting for over 70% of total visitor arrivals, after a move to relax visa requirements.

Following Macau's return in 1999, the Mainland and Macau Closer Economic Partnership Agreement was signed in October 2003 to allow Macau's residents and firms to have preferential market access to mainland markets, and to support Macau's economic development in general.

In addition, the Chinese government has leased to the city a piece of adjoining land on Hengqin Island in Zhuhai, Guangdong to support ambitious plans under the Greater Bay Area ambit, with Macau focusing on tourism and trade with the Portuguese-speaking world.

The super development on Hengqin has seen the construction of business districts, education, entertainment and MICE (meetings, incentives, conventions and exhibition) spaces, including the Ocean Resort, Chimelong Ocean Kingdom and the relocated University of Macau over the past five years, creating jobs and bringing a new vibrancy to Macau.

Macau has enjoyed economic success after its return to China in 1999 and in its pursuit of integration with the Mainland.

Home to 676,000 people, Macau's GDP (gross domestic product) per capita is one of the highest in the world, at US\$87,200 in 2018, according to the World Bank. This almost doubles Hong Kong's corresponding figure of US\$48,700.

The thorny issue of high youth unemployment in Hong Kong has not arisen in Macau where the unemployment rate is low – 1.7% as of November 2019.

In contrast, in Hong Kong, the unemployment rate has crept upwards during the period of unrest to 3.1% in October 2019, with sector-specific unemployment hitting all-time highs: five per cent in retail, accommodation and food services combined, and 6.1% in the food and beverage sector.

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In addition, the housing affordability crisis afflicting Hong Kong has no parallels in Macau. Macau residents enjoy generous social welfare programmes, often in the form of cash hand-outs. Since 2008, all permanent residents have received a dividend from the Macau government every year. The payout was MOP10,000 (US\$1,245) in 2019.

From the social perspective, though the two former colonised territories are ruled by China now and governed under the OCTS model, the mass protests in Hong Kong simply could not happen in Macau.

In fact, in Macau public opinion may align more closely with the Chinese than the Hong Kong viewpoint.

According to the Macau Annual Survey undertaken by the Hong Kong Public Opinion Research Institute, Macau residents have a strong sense of national identity as citizens of the People's Republic of China.

About 72% of Macau respondents say they have confidence in the One Country, Two Systems.

The same survey shows 62% of Macau residents trust the Chinese central government and over 80% have confidence in China's future.

Unlike in Hong Kong, patriotic education is deeply rooted in Macau's kindergartens and schools. Many Macau residents share a pro-China outlook, and do not see any contradiction between a Macau identity and a Chinese identity.

In addition to economic and social factors, the divergent history of their colonial experience, attitudes and paths of Macau and Hong Kong towards deepening integration with mainland China since retrocession, the role of local media, and the difference in governance capabilities between the Hong Kong and Macau authorities, could all be contributory factors to the differences between Macau and Hong Kong today, and to why the OCTS model is working fine in Macau.

The historical, economic and social factors need to be viewed collectively in order to explain the sharp developmental differences between Macau and Hong Kong.

MACAU: THE POSTER CHILD FOR ONE COUNTRY, TWO SYSTEMS?

To China, Macau is a glittering example of the One Country, Two Systems model. As it has pursued greater economic integration with China and transformation over the past decade under the Great Bay Area plans, its residents have reaped the fruits of success.

Beijing is keen to showcase the success story of Macau and the viability of the model amid the ongoing turmoil in Hong Kong and under the gaze of a watchful Taiwan where the pro-independence Democratic Progressive Party and President Tsai Ing-Wen have just won an election.

Although it is enjoying economic success for now, Macau's casino-dominated economic development is fragile and unsustainable in the long-run perspective.

In contrast to the previous bustle of the Chinese New Year holiday, the flood of tourists from mainland China to Macau was reduced substantially in 2020, attributed to a combination of the tough preventive measures taken by the Macau authority to curb the spread of the novel coronavirus in Macau as well as the Mainlanders' growing fear of this potentially deadly virus.

Since the outbreak of the coronavirus in Wuhan and its spread to other parts of China, 10 cases have been confirmed in Macau so far.

The outbreak of this virus has curbed travels to Macau. Visitors to casinos in Macau have reportedly plunged by almost 80% and the gambling revenue received was down by over 11% in January 2020 compared to that in January 2019.

On 4 February, the Macau authority ordered the suspension of all casinos operation for half of a month to help combat the spread of this virus. Its impact is expected to leave a profound impact on Macau's gambling and tourism sectors that could last for quite some time. It also illustrates the vulnerability of Macau's economic structure dominated by the gambling sector.

Evidently, Macau will have to restructure and diversify its economy beyond gambling, which currently contributes 80% of government revenue and half of its GDP, if it is to achieve greater resilience and sustainability for the future.

Tourism too has been a cause for concern in recent years. Total visitor arrivals outstripped the size of the population by 53 times last year, owing to the rapid increase in tourist arrivals from mainland China.

The diversification of its casino-dominated economy will be a challenging task given Macau's small size, and the shortage of land and human talent.

However, whether Macau, a small region of only 31 sq km in size, can sway Taiwan's calculus, relative to Hong Kong, is questionable.

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