



GOLDEN OPPORTUNITIES

Alex Rotenberg examines the expansion of casino gaming tourism in developing Asian Pacific markets and looks behind the opportunities to address some of the realities

There's been a great deal of recent opportunistic casino building taking place in an area of Southeast Asia that's a combination of the strictly controlled, and the ungovernable. In an area of Indochina, where China, Thailand, and Vietnam have strict gaming legislation, there are obvious development opportunities for neighbouring Cambodia, Laos, and Myanmar (Burma). In these latter three countries, casino building in Special Economic Zones (SEZs) is a means of attracting foreign investment, and levying an income. According to a SEZ investment tycoon, Zhao Wei, the slogan of investing in these regions is "you invest, we welcome; you make fortunate, we make development." But, as with much in this area of the world, things are not so straightforward. The view from a wider context is given through the case of South Korea, currently attracting foreign players, but debating whether or not to ease restrictions on domestic gamblers.

CAMBODIA

The long borders with Thailand in the north and Vietnam in the southeast, is a reason why Cambodia is expanding the number of casinos targeting cross-border tourists. At a busy border crossing with Thailand lies the city of Poipet, where eight casino complexes have been built between the two countries. Officially in

Cambodia, Thai visitors leave their own country, but don't actually enter into Cambodia if they just visit the casinos (and associated massage parlours, bars, duty-free shops, golf course, etc). The owners of the casinos are believed to be Thai, as are a number of the staff and most of the visitors, and inevitably the currency used is the Thai Baht. The most popular games on offer, by the number of tables currently available, are baccarat followed by roulette.

Poipet's existence is threatened by the undercurrent of antagonism between Thailand and Cambodia, which previously led to border closures. The situation isn't helped by continued military standoffs over property rights surrounding the historic Preah Vihear Temple. Areas such as Poipet are established in SEZs, with less regulation and lower taxes for foreign investors. Casinos are seen as a major part of the SEZ strategy.

In 2010, Cambodia allegedly began a programme of shutting down dubious gambling establishments and licensing those it approved of. Although there appears to be little evidence of a full-scale crackdown, when in the same year the USD\$100m Top Diamond opened in the Phnom Den SEZ, it was the 32nd licenced casino in the country. The Phnom Den



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IN 2008, THE GOVERNMENT OF VIETNAM GRANTED THE CONSTRUCTION OF FIVE CENTRES IN HO TRAM RESORT.

SEZ is just one kilometre from the Vietnam border and again aimed at tourist gamblers.

In 1998, casinos in Cambodia were banned from operating within 200km of Phnom Phen except for one casino, NagaWorld, which held an exclusive licence to remain. The ban doesn't seem to be absolute however, as seen by the rapid growth of casino driven resorts in Sihanoukville, about 160km from Phnom Phen. Sihanoukville is now the second biggest city in Cambodia and considered the premier seaside resort town on the



Bay of Thailand. Not bad for what was a village a few years ago. Bavet to the south is another area focused on attracting Vietnamese gamblers to its seven casinos. It's situated close to a major border crossing, but more importantly, is only 80Km from Ho Chi Minh City.

However, there are potential threats to casinos on the Cambodia-Vietnam border. In mid 2011, the Viet Nam News reported a call from government officials to legislate against Vietnamese nationals gambling in Cambodia.

There are reports of gambling-driven bankruptcy and stories that Vietnamese, who cannot pay their debts, are held captive in Cambodia until ransoms are paid building pressure for government intervention. Pawn shops are another common sight adjacent to casinos. They offer gamblers an opportunity to sell valuables to raise funds and chase losses, but usually they cater to the truly desperate who require just enough for the ride home across the border.

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LEGISLATION IN CHINA, MALAYSIA AND THAILAND HAS GAMBLERS LOOKING AT OPPORTUNITIES IN THE GOLDEN TRIANGLE.

decided to join the party, and granted the Canadian 'Asian Coast Development', the right to construct five resorts and entertainment centres in Ho Tram, a seaside resort southeast of Ho Chi Minh City. The MGM Grand Ho Tram is scheduled to open in 2013.

The overwhelming increase in casino building in this part of Asia can be understood from one sentence on the Asian Coast Development's website, "...the 16 countries in close proximity to Vietnam comprise over half of the world's population, yet less than 5% of the

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world's licensed gaming establishments." Filling this gap in the market is big business.

THE GOLDEN TRIANGLE

The Golden Triangle is south Asia's "Wild West". A renowned mountainous region bordering Vietnam, Myanmar, Laos and Thailand, with a long history of smuggling, drug dealing, violence, and a burgeoning sex industry. Even so, strong anti-gaming legislation in China, Malaysia and Thailand, have made their local gamblers cast an eye at the opportunities available.

Behind that simplicity is a more complex story of sudden large outside investment, the building of casinos in rural areas, the effects upon locals, increasing Chinese influence, and where the profits are channelled. These significant developments are taking place in one of the world's main heroin and methamphetamine producing areas. According to UNODC, there has been a four-fold increase in methamphetamine pills seized in just three years. This is an area proud of its status as being ungovernable, with illegal goods drifting across nearby porous borders and forming a large economic justification for officials to turn a blind eye to what's happening.

Dozens of casinos of varying standards and sizes are said to exist along the borders of Myanmar and Cambodia. In keeping with the Triangle's reputation and history, exact numbers are hard to find about how many exist, or are being built. The same goes for the funding recipients of the profits. Northwest Myanmar, is supposedly controlled by local tribes rather than central government, and it is they that organise the casinos and narcotics trade. When casinos were opened in Mong La (nicknamed the 'City of Lights') to attract Chinese players from across the border, prostitution and transvestite cabarets were also part of the attraction.

Many believed that the casinos were owned by the former drug baron Minxian Lin. In 2006, the Chinese Red Army was sent to close Mong La casinos down, supposedly after Chinese officials lost a large amount of money (whose claim on the cash is also dubious). Subsequently, visa restrictions were tightened at the border and no Chinese were permitted to stay overnight or face strict punishments. A year later casinos were reopened, but most are now in Tachileik, 100km south and farther from the Chinese border.

The Myanmarian government has also allowed casino building with the aim of attracting foreign players. The Golden Triangle Paradise Resort, for example, brings in an estimated USD\$2 billion per

Analysis

CASINO TOURISM

year. Geographically isolated, it sits by the Mekong River and welcomes the large majority of its clients from Thailand. Another, the Andaman Resort, has its own island with five star hotel and golf course. As it isn't quite inside Myanmar's boundary, visa requirements are minimal for Thai customers.

LAOS

By virtue of not being Cambodian, the casinos over the borders in Laos are increasing the number of Thai visitors heading for their slots and tables. Arguments between Thailand and Cambodia have provoked nationalist feelings and increased the numbers of casino-paid mini-buses ferrying Thais into Laos. Increasingly, radio adverts for Laotian casinos are broadcast on Thai local radio.

Meanwhile in another SEZ, on the Laos side of the Mekong River a Hong Kong registered company has the stated aim of creating a 'Macau on the Mekong'. In 2007, the Laos government granted the King Romans Group (KRG) a 99 year lease to develop a massive entertainment centre of which a third is dedicated to casino development. To put the importance of the development into perspective, the Group has already spent half a billion dollars, and the total investment earmarked is estimated at over USD\$2.5bn, while in 2010, the GDP of Laos was USD\$7.49bn. However, reports from AsiaNews and the Vancouver Sun, indicate that, despite the plans for a modern tourist resort including the creation of Laos' second biggest city, an airport and railway, so far only a casino has been built, the appropriately named King Romans Casino, which attracts approximately 10,000 players per month.

There are widespread claims from the Thai press that the project is being used to launder drug money, and the casino is part of a narcotics distribution network, primarily to Thailand. Further accusations



ARGUMENTS BETWEEN THAILAND AND CAMBODIA HAVE PROVOKED NATIONALIST FEELINGS ACROSS THE BORDERS.

are emerging that KRG and SEZ Chairman, Zhao Wei, has ties with a local drug lord. In October last year, Wei's name hit the press after the brutal murder of 13 Chinese sailors on two cargo ships on the Mekong River where authorities recovered over USD\$3m worth of methamphetamines.

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Bizarrely, several Thai police officers have since been charged with the murders. Two weeks before the murders, there was a large drugs raid by combined Laos and Chinese officials on the casino and a significant amount of methamphetamines were found in the grounds.

The Chinese are now sending gunboats to the Mekong to increase security, and appear keen to stamp their authority on an area where little has been seen. It's foreseeable that the Red Army may soon be deployed to more remote areas of the Golden Triangle to clean it up should incidents like these continue. The China Daily's editorial made a call for a transnational security mechanism to "rigorously eradicate" drug trafficking and other organised crime. In 2010, the Chinese Foreign Ministry warned gamblers to stay away from casinos in

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Laos citing security risks. Lao-based casinos are believed to recruit customers in China and provide credit for their gambling at usurious rates. Once they are unable to repay their debts, gamblers are detained, beaten, and held to ransom for the money.

SOUTH KOREA

Although not in the immediate vicinity of the Mekong River, South Korea is indicative of those countries making money by importing, largely Chinese, gamblers to their casinos. Of the 17 legally operating casinos in South Korea, only one opens its doors to Koreans. The rest are strictly foreigners only. The one current exception is Kangwon Land Casino, in Taebaek, Gangwon province, a former mining area. Developed as a means of resuscitating the local economy, its monopoly draws in

THE PHILIPPINES IS BECOMING A FORCE TO BE RECKONED WITH AND COULD GENERATE US\$1.2BN.

South Koreans, who have little other options, particularly since legislation criminalises nationals who gamble abroad. But, Kangwon may be losing its monopoly. The South Korean Minister, Choung Byoung-Gug announced in mid-2011, that he was willing to consider opening more casinos to South Korean

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gamblers. The immediate fall in the stock of Kangwon indicated that Taebaek might find competition with Seoul based establishments difficult. Their stock price recovered later when the press, worried about an increase in bankruptcies, voiced strong opposition to the plan. Kangwon Land's response is to double the size of its gaming area in 2012.

However, there are strong economic arguments to balance against the social concern of allowing South Korean's to gamble on home soil. One strong advocate of liberalisation is Steve Wynn, who has confirmed that he is willing to invest up to USD\$3bn in a casino project at Incheon should the government relax its rules on domestic gamblers. Opening casinos to locals would also reduce the estimated several billion dollars spent by South Koreans abroad.

This figure would likely rise should its close neighbour, Japan, decide to legalise casinos, which seems possible after 150 lawmakers recently proposed facilitating legislation. It would also deter illegal business, which by definition includes online casino gambling, despite no current legal sanctions, and bring casino development under official control. Singapore is quoted as an example of how to discourage locals from entering casinos with high entrance charges and other measures to reduce perceived negative social effects.

However, according to PWC's Outlook for the Global Casino and Online Market to 2015 (Dec 2011), South Korea's casinos are only projected to make USD\$2.6bn in 2015 compared with Singapore's USD\$7.2bn, and Macau's astonishing USD\$62bn for that year. The Philippines is also becoming a force to be reckoned with, as estimates predict that it could generate USD\$1.2bn. South Korea needs to make some quick decisions if it isn't to lose out in the Asian casino bonanza, especially as Japan and Taiwan continue to make noises about casino tourism.

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