



CDCGamingReports.com

## Focus on Asia: Which countries will make it on China’s blacklist?

By Andrew Klebanow, Principal, Klebanow Consulting

November 3, 2020

In August of 2020, the Ministry of Tourism of the People’s Republic of China’s (PRC) announced that it had established a blacklist of gaming-centric tourist destinations that targeted its citizens. The announcement was the culmination of a series of statements issued by Chinese authorities over the last eighteen months that expressed rising concern over the proliferation of online gaming platforms that targeted Chinese citizens along with bricks & mortar casinos that catered to Chinese gamblers. PRC officials recently estimated that upwards of one trillion yuan (US\$142.5 billion) is spent annually by Chinese citizens through various forms of offshore gambling. Much of that money flows out of the country through online gaming platforms that utilize a variety of retail digital platforms to disguise their purpose. Junkets also play a role in those currency outflows. The remainder is generated by tourists visiting casinos in other jurisdictions.

**KLEBANOW CONSULTING**  
Las Vegas  
KlebanowConsulting.com

<b>PROPERTY ANALYSIS</b> Operational Reviews Marketing Audits Player Reward Programs	<b>RESEARCH</b> Customer Insight Panels Focus Groups
<b>EDUCATION</b> Business Planning Workshops Market Planning Seminars	<b>CONSULTING SERVICES</b> Independent Evaluation of Marketing Products & Systems Strategic Planning Expansion Studies

Andrew@KlebanowConsulting.com  
Serving the Casino Industry for over 30 years.

Since the government did not cite specific countries that it intends to target, there is a considerable amount of speculation on which destinations will be affected. How various countries responded to past pleas by the PRC to curtail casino marketing practices on its citizens offers clues to which countries are likely to be impacted.

## **Cambodia**

Cambodia's casino industry grew rapidly over the past decade. In addition to the casino districts that lie along the borders of Vietnam and Thailand, Sihanoukville emerged as a regional tourism destination that offers gaming. Over the past four years the market has increasingly relied on Chinese tourism for the bulk of its visitor volume. This in turn spurred dramatic growth in hotel-casino development and with it, live dealer/online gaming that targeted Chinese players.

In August of 2019, the PRC expressed its growing concern over online gambling, particularly those that operated in Cambodia and the Philippines, and asked that those online operations be curtailed. Cambodia promptly complied with China's request and shut down its online gaming sector. The Cambodian government announced that it would cease to license online gaming as those licenses expired on December 31, 2019.

The Cambodian government recognized that its economic and political relationship with the PRC was too important to the Kingdom's economy. The closure of online gaming was painful in that the online sector provided jobs and foreign investment. Given the Kingdom's past compliance, it is likely that China will not impose travel restrictions and tourism will return once the pandemic abates. This will bode well for both the resorts in Sihanoukville and NagaWorld in Phnom Penh.

## **The Philippines**

If there is one nation that may have earned a top place on the PRC's blacklist, it is the Philippines. China's 2019 request to curtail the activities of Philippines Offshore Gaming Operators (POGOs) was rebuffed by President Duterte. POGOs were deemed too important to the Philippine economy in the jobs they created, the tax revenues they contributed, and their impact on the commercial and residential real estate sectors.

The POGO industry has been slow to recover from the pandemic-induced lockdown with a substantial number having yet to resume operations. The industry has also come under increased scrutiny by various government authorities and there are moves underway to raise the taxes that POGO operators pay. This in turn is causing an exodus of POGO operators to more economic-friendly countries.

The integrated resorts of Entertainment City and those in Clark Free Trade Zone are also dependent in part on Chinese gamers. Major junket promoters maintain operations within a number of these resorts. In all likelihood, the PRC will impose travel restrictions on visitors to the Philippines and it will be the IRs in Entertainment City and the resorts in Clark that will feel the brunt of this.

## **Vietnam**

Vietnam is another country that the PRC would likely consider imposing travel restrictions. In addition to the casinos that line the border with the PRC, two casino-resorts on the central coast rely on Chinese gamers. The Crown International Club in Danang has long catered to a number of junket promoters and its property is decidedly Chinese-centric. The newly built Hoiana

integrated resort in the province just to the south of Danang was built by a partnership that included the Suncity Group. Suncity's junket network is expected to generate a substantial portion of gaming revenue to the project.

## **Singapore**

Prior to the pandemic, approximately 15% of international visitors arriving by air emanated from the PRC. While the city-state's two integrated resorts enjoyed modest economic benefits from those visitors, their casinos have never been overly dependent on Chinese gamers. Given Singapore's casino regulatory oversight, the vast majority of Asian junket operators did not submit to licensure. As such, there is little reason for the PRC to place Singapore on its blacklist.

## **Myanmar**

When Cambodia closed down their online gaming industry, online operators sought to find countries with robust telecommunications infrastructure and a politically and economically friendly environment. Myanmar was one such jurisdiction. Yatai New City, near the Thai border, is emerging as a new online gaming hub.

It remains to be seen how the PRC will react to this emerging jurisdiction and the possible impact that a travel restriction will have on Myanmar's nascent tourism industry.

## **Australia**

In 2019, Australia hosted 1,432,800 visitors from the PRC, and was the number one source market, followed by New Zealand with 1,407,200. No other country came close to matching the importance of these two markets to Australia's international tourism industry. Australia's casinos had long targeted gamers from the PRC, and their marketing practices have in the past come under the scrutiny of the Chinese government.

China remains an important trading partner with Australia. Nevertheless, given the industry's past focus on Chinese gamers, Australia may likely be a target for travel restrictions.

## **Korea**

South Korea's sixteen foreigner-only casinos have long relied on Chinese vacationers for a sizable portion of their visitation. Tourism is also an industry that has demonstrated itself vulnerable to PRC travel restrictions. In 2017, the PRC retaliated against South Korea's agreement to install a US built missile defense system by placing restrictions on travel. Tourist visitation from the PRC fell by 50% and was slow to recover.

Despite its reliance on the PRC, South Korea casino operators have not employed aggressive marketing tactics nor crossed the line into online gaming. As such, it is difficult to predict if the country winds up on the blacklist.

## **Macau**

It is very doubtful that the PRC would consider Macau as a candidate for its blacklist. While a special economic zone, Macau remains a part of China, and the central government has long accepted the SEZ as the sole territory where gaming is permitted. Despite the prodigious amounts of gaming revenue that the SEZ attracts, the central government is able to more closely track the movement of currency into and out of the SEZ than other foreign jurisdictions. It is also able to monitor cross-border traffic.

Macau's economy is also dependent on the gaming industry. The city's 41 casinos are the primary source of employment and tax revenue. There is no other industry that can replace gaming in the near or mid-term.

Macau will remain the PRC's favored jurisdiction where its citizens can go and gamble. The Philippines on the other hand, is in China's crosshairs. One can expect sanctions against the island nation, including severe travel restrictions. To save face, President Duterte might have to let the country's online gaming industry collapse from the weight of increased gaming taxes and regulatory oversight. Unfortunately for the PRC, online gaming will probably re-emerge in another country. Like water, gambling seeks its own level.