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## Focus on Asia: Possible Impacts from China's Zero Covid Policy

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As international travel between Asian nations begins to resume, casino operators in a number of jurisdictions have become cautiously optimistic. The absence of foreign visitors, particularly in those countries that prohibit residents from gambling, has been particularly hard on casino operators in South Korea, Cambodia and Vietnam.

The hope is that, with the resumption of international travel, pent up demand will fuel a spike in both visitation and gaming revenue, similar to what was experienced in the United States as pandemic-induced restrictions were lifted. While there is certainly room for optimism, the People's Republic of China's (PRC) Zero Covid policy looms large.

A green banner with white text and a logo. On the left, the text reads 'The most diverse network of consultants in the gaming &amp; hospitality industry'. On the right, the C3 Gaming logo is displayed, consisting of a stylized 'C3' symbol and the text 'GAMING CASINO CONSULTANTS CONSORTIUM'. Below the logo is the website address 'C3GamingGroup.com'.

For people living in other parts of the world, it is difficult to appreciate how seriously the PRC and the special administrative regions (SARs) of Macau and Hong Kong have treated the pandemic. While each individual province within the PRC and the two SARs have their own regulations, they have one thing in common: their health protocols are strict, and they maintain a Zero Covid transmission policy.

For instance, Macanese residents returning from a foreign country must first present proof of a negative Covid test upon departure for their flight to Macau. Upon arrival into Macau, each passenger is tested once again. Then, every returning resident is ushered to a quarantine hotel. At last check, the quarantine period was 21 days. For those returning residents who have the misfortune of testing positive upon arrival, they are taken to a hospital, where they are checked in, monitored, and tested for a variety of possible medical conditions until medical authorities are convinced that they are virus free and healthy.

Hong Kong maintains similar travel restrictions for returning residents and foreign visitors. Residents and even commercial flight crews must submit to quarantine restrictions. According to the U.S. Consulate General Hong Kong and Macau, the following advisory is currently in effect for those fully vaccinated travelers who test positive upon arrival:



*Travelers who test positive for COVID-19 will face a minimum of 10 days in a Hong Kong Government Hospital followed by 14 days in a Hong Kong Government-managed medical observation facility. During the initial minimum stay of 10 days in the hospital, the local medical authorities will determine if the patient meets the discharge criteria to be considered recovered from COVID-19.*

*The Hong Kong Health Department has stricter COVID-19 discharge criteria than the United States or other countries. The minimum 10-day hospital stay will be followed by a mandatory 14-day stay of observation in a Hong Kong Government-managed medical observation facility. Some people who test positive for COVID-19 may be hospitalized for significantly longer than 10 days depending on the Hong Kong government's assessment of their COVID-19 status. People traveling with someone who tests positive for COVID-19 upon arrival in Hong Kong will face compulsory quarantine that may last from anywhere between seven and 21 days, depending on the variant and the person's vaccination status.*

The PRC has similar policies for both foreign visitors and residents returning from other countries. Travel between the PRC and Macau is far less restrictive, with a negative test and proof of vaccination sufficient for cross-border travel. This is because most provinces in China and Macau have been able to maintain zero transmission rates, albeit with near Draconian policies. At any hint of a local outbreak, health authorities take measures to restrict movement, locking down neighborhoods and local businesses, and with it, transmission of the virus.

This Zero Covid policy is expected to continue for the foreseeable future. As Chinese residents start to travel to other countries, they will face significant hurdles upon their return, including testing and quarantine. The question is, what will be the implication of this policy on the resumption of outbound travel from the PRC to other countries?

Prior to the pandemic, Chinese outbound tourism had been the driving force in tourism across east Asia and Australia. While visitors from other east Asian countries contributed significantly to neighboring countries' tourism, visitors from the PRC had the largest impact, particularly on casino visitation. The casinos in South Korea and Vietnam were wholly dependent on those visitors, while casinos in Singapore, Entertainment City in Manila, Cambodia, and Australia enjoyed significant wagering volume from visitors from the PRC.

### **Who loses? Who benefits?**

The PRC appears intent on maintaining its Zero Covid transmission policy. This will certainly affect the decisions that punters make when choosing where to gamble. A Chinese visitor to Jeju or Singapore, faced with a possible mandatory quarantine in a government facility upon return to their home city, will certainly factor that outcome when choosing where to play. In all likelihood, those players will choose a gambling destination within the PRC's travel bubble where they can be assured of a smooth and uneventful experience upon returning home. At last check, there is only one jurisdiction in the world that falls within that bubble, and that is Macau.

The impact of China's Zero Covid policy on casinos outside of Macau is immense. It has the potential to stymie outbound tourism to all foreign gaming jurisdictions, and leave Macau as the only place where residents of China can gamble. This bodes extremely well for casino operators in Macau. While they may not see the return of gamblers from Japan, Taiwan or India, they will have the entire PRC gaming market all to themselves. For Macau's casinos, it is not a bad story. For all others, the future may not be so bright.

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