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Focus on Asia: Casinos in Thailand – Will policy makers get it right?

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A flurry of recent news reports has once again brought to the forefront of discussion the prospect of integrated casino resort development in Thailand. An announcement by the Thai Parliament in December of 2021 that the Legislature approved the creation of a committee to explore the authorization of one or more integrated casino resorts was followed by reports that the committee had indeed met several times in 2022. Nevertheless, it was not until Rob Goldstein, the CEO of Las Vegas Sands, publicly stated in March that his firm was in discussions with a "major Asian country" to develop an integrated casino resort that lent credence to the belief that this time Thai public policy makers would move forward with some form of legislation authorizing the development of a casino industry.

This of course is not the first time that Thailand has explored the notion of allowing the development of integrated casino resorts ("IRs"). In the past, opposition to IR development from both the monarchy and the Buddhist religious community precluded any chance that legislation would move forward. With the death of King Bhumibol Adulyadej in 2016, and the ascendency of his son, who has a more favorable opinion towards IR development, as well as recent pronouncements by Prime Minister Prayut Chan-o-cha that he would be in favor of exploring IR development, the chances that Parliament will pass meaningful legislation has never been better. The question is, will that legislation and the regulations that would follow support the economic goals that the committee ultimately establishes?

Establish realistic goals and regulations to support them

It is assumed that the committee exploring IR development will establish meaningful long-range goals. These will include economic goals in the form of increased tax revenues and employment, social goals that address the proliferation of underground casinos, and goals to achieve growth in international tourism. After all, Thailand, as all countries in east Asia, saw international tourism come to a grinding halt at the outset of the pandemic and with it, rises in unemployment and a decline in tax revenues. A resumption of international tourism is expected to be a slow process. The development of IRs could act as a catalyst for long-term growth in tourism.

The problem is that public policies and regulations that follow often hinder if not obstruct the attainment of economic goals. One need only look at other Asian countries' recent attempts to establish IR industries, and how policies and regulations stymied the attainment of strategic goals.

A decade ago, Vietnam sought to establish an IR industry. With 90 million residents, a modern airport infrastructure and an emerging middle class, Vietnam appeared as an ideal candidate for IR development. In part driven by the sizable capital investments that Singapore had attracted in its push to develop an IR industry, the Vietnamese government insisted that developers invest $4 billion in construction costs. At the same time, public policy mandated that only foreign visitors could enter a casino. Without a residential population to support an IR, most major international developers walked away from the opportunity when it became apparent that public policy was not going to change. Today, Vietnam's casino industry struggles in the face of a near complete loss of international visitors.

More recently, Japan sought to establish an IR industry. Modeled after the highly successful IRs in Singapore, Japan recognized that in order to attract international developers and their capital, public policy would have to allow residents to gamble. At first, every major international casino operator rushed to establish partnerships in the market. Then, a relentless steam of regulations were announced that limited the domestic market's potential. As each new regulation was published, financial forecasting models were adjusted downward. Five years after laws were first established to allow an IR industry, most international developers have pulled out when it was determined that regulations would severely limit the market's profit potential.

Today, Thailand's political leadership has an opportunity to learn from the mistakes made by other East Asian nations as well as the successes in others. Singapore was able to achieve its economic goals because public policies in large part supported them. Likewise, the Philippines enjoyed considerable success with the establishment of Entertainment City because of reasonable tax rates, and no limits on how often residents could visit those properties.

While political leadership in Thailand has yet to announce specific strategic goals, increases in tax revenues, job growth, growth in tourism, and a reduction in underground casinos have all been mentioned as likely objectives. The question is, will policies and regulations support them?

If the goal is to reduce illegal gambling within the Kingdom, then policies and regulations must permit integrated casino resort development in a number of jurisdictions in addition to Bangkok. One casino will not put a dent in underground casinos, but several, located in major population centers, would shift play to more attractive, legal venues.

Likewise, onerous restrictions on how often residents can enter a casino limits the economic impacts of IRs. Even the largest of integrated resorts cannot succeed with just international tourists staying in their hotels. As demonstrated in Singapore and the Philippines, local residents are an essential component of an IR's business mix. Restricting their access limits the chances of their success, the jobs they create, and the tax revenues that they could generate.

Ultimately, the potential for a successful IR industry in Thailand rests not in the economic goals that are established, but in the policies and regulations that follow. A lot can be learned by looking at the successes and failures in other countries. Hopefully, Thailand gets it right.

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