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Focus on Asia: Gambling on the other side of Asia

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For the past two decades, the international casino industry's attention has been focused on East Asia. The emergence of Macau as the world's largest gaming hub – followed by Singapore, the Philippines, Vietnam, and Korea – captivated the interest of casino developers looking for the next opportunity to develop integrated casino resorts. The notion was that any country that was in close proximity to the Peoples Republic of China (PRC), and provided visa-free or e-visa access, could potentially become a super-regional casino jurisdiction. This led to a myopic view of Asia, with developers only looking to the east and south of the PRC. Other countries further west were largely ignored. One nation that has received scant attention is Kazakhstan, the economic center of Central Asia.



First, a bit of geography is in order. Kazakhstan is the world's ninth largest country in terms of land mass, and the world's largest landlocked nation. It shares borders with China, Russia, and

the Central Asian nations of Kyrgyzstan, Uzbekistan, and Turkmenistan. It is also the richest country in Central Asia due to its vast oil, gas, and mineral reserves.

The capital city of Nur-Sultan (formerly Astana) in the northern region has a population of 1.1 million, and its largest city is Almaty to the south with 2 million residents. Despite its mammoth geographical footprint, Kazakhstan's total population is only 18.7 million.

Kazakhstan gained its independence from the Soviet Union in 1991. Since then, the government has encouraged foreign direct investment, which in turn brought a considerable amount of wealth to the nation. It is now categorized as a middle-income country. It is ethnically diverse, yet is predominantly Muslim. Kazakhstan also has a modest but fairly vibrant casino industry.

History of casinos

Casinos have been in existence in the country since 1997. For the first 10 years, small casinos proliferated in the country's cities. In 2007, the government ordered those urban casinos closed, and designated two geographic zones for casino development. These included Kapchagay in the southern Almaty region, and on Lake Burabay in the northern Akmola region.

Kapchagay is a resort area approximately 80 km from Almaty. It straddles the Illi River and sits on the banks of a massive reservoir. It has emerged as a weekend vacation destination, and prior to the pandemic had approximately seven casino properties. Burabay is another resort area, approximately 260 km north of Nur-Sultan. The district contained approximately five casinos prior to the pandemic.

The 2007 law authorized two kinds of gaming licenses: a casino license that permitted a minimum of 20 table games and 50 electronic gaming devices (EGDs), and sports betting licenses for sports betting shops. Gaming taxes for casinos are calculated on the number of gaming devices rather than as a percentage of gaming revenue. Table games are taxed at a rate of €9,500 a month and EGDs at €350. Online wagering is prohibited. Most of the casinos in the two resort districts have hotels appurtenant to them, and the casinos are modest in size compared to those found in other Asian jurisdictions.

The market potential

What makes Kazakhstan's casino industry interesting are the markets that they could potentially serve. While the local population is relatively small, it is the country's foreign investment and trading partners that make up a more important market segment. Kazakhstan's primary trading partners include China, Russia, South Korea, France, and the Netherlands. Foreign nationals from those countries primarily reside in the country's two largest cities, and there is already a considerable amount of airlift from these potential feeder markets. Kazakhstan also has very liberal travel policies, and visa-free travel is available to citizens of nearly 60 countries, including all of its Asian trading partners. The presence of a large population of foreign nationals can serve as an important source of gaming revenue, as has been demonstrated in countries such as South Korea and Cambodia.

Visitors from other nearby Asian countries could make up another important demand segment. Kazakhstan's tourism industry remains modest, owing in large part to the former Soviet Union's environmental policies. Also, after the Soviet era, Kazakhstan's public policy makers focused on economic development through trade and attracting foreign investment rather than tourism. That strategy proved very successful. It may evolve as Asia emerges from the pandemic. Given the country's location, well-developed transportation infrastructure, and status as a powerful economic hub, the nation is now in the position to develop its tourism industry. As has been demonstrated by other East Asian nations, integrated resort (IR) development can serve as a powerful tool to grow tourism. Nagaworld in Phnom Penh, Entertainment City in Manila, and the two IRs in Singapore are testaments to that strategy.

The future

A nation's transition from one that permits modest casino enterprises in remote locations to one that utilizes the development of full-scale integrated resorts as a tool to grow tourism requires clear objectives, sound strategies, and ultimately regulations that make it attractive for international developers to invest in them. Those decisions rest in the hands of Kazakhstan's public policy makers.

It remains to be seen how quickly Central Asia emerges from the pandemic, borders re-open, and normal trade and commerce resume. What is certain is that when it does, international tourism will follow. Kazakhstan's location, transportation infrastructure, and embrace of foreign investment makes it an interesting candidate for IR development.

East Asia has demonstrated how integrated casino resort development can positively impact a country's tourism industry, and stimulate foreign investment. For nearly a generation, casino developers looked to the east for opportunities. Perhaps it is time to look west.
