



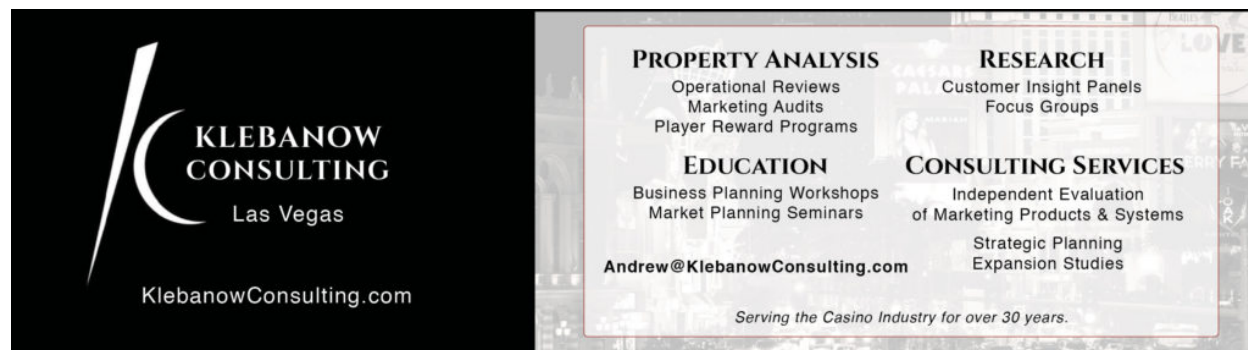
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# Focus on Asia: The Reckoning

By Andrew Klebanow | Principal, Klebanow Consulting

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For over two decades, casinos in East Asia and Oceania have targeted gamblers residing in the Peoples Republic of China (PRC). From the VIP rooms in Cagayan Province in the Philippines to the casinos in Australia, Chinese gamblers have long been an important market. Whether they were brought in by junket promoters, group tours, or as individual travelers, and more recently as online gamblers, Chinese punters have played an outsized role in the success of the greater Asian gaming industry.



While the pandemic has temporarily halted international travel, casino operators are optimistic that business will soon return to normal once vaccine distribution reaches most of Asia’s population. They are anticipating that Chinese players will soon return. However, two recent legislative initiatives that emerged in the PRC may temper that optimism. In fact, there may soon be a reckoning in which the PRC finally settles its accounts with those operators that have long relied on its citizens proclivity to travel overseas to gamble.

China’s National People’s Congress recently passed an amendment to its criminal law, effective March 1, 2021, that makes it a crime for cross-border casinos to organize or solicit Chinese citizens to gamble. The penalty for such transgressions will be severe, with imprisonment up to 10 years, plus fines. This law is expected to extend to those people and companies that organize gambling trips from China to other countries. This portion of the law targets junket promoters, the main vehicle through which gamblers are brought to foreign casinos.

This new law comes on the heels of an earlier announcement that the Chinese Ministry of Culture and Tourism has established a blacklist of overseas tourist destinations that target Chinese gamblers. Those countries will see travel restrictions imposed on Chinese citizens who plan on visiting certain overseas destinations that offer casino gaming.

Combined, these two laws could effectively end outbound Chinese tourism to a number of nations, particularly those that have disregarded past requests by the PRC to curtail online gambling that targets its citizens, and those that specifically cater to premium players. While the names of the countries that are on that blacklist have not been revealed, it is not hard to speculate which countries are on the top of that list.

Starting with the letter “A”, Australia is certain to make the list. Its casino industry has long relied on premium Chinese players, and the country’s integrated resorts have well established relationships with junket promoters. Its tourism economy is also dependent on visitors from China. In 2019, over 1.4 million Chinese tourists visited Australia, edging out New Zealand as the number one source market.

Australia’s tourism officials had hoped that Chinese visitors would return once the pandemic subsides. There hopes may have been dashed when, last month, a report was issued that may have upset PRC public policy officials. The Bergin Report, which investigated Crown Resorts’ suitability to hold a casino license in the State of New South Wales for its new AU\$2.2 billion Crown Sydney, found the company unsuitable. The report cited Crown’s past association with Chinese junket operators, allegations of money laundering, and relationships with individuals with connections to Chinese Triads and organized crime groups as some of the reasons for denying the license. One would have to assume that senior leadership in the Chinese government would have reacted negatively when reading excerpts of that report.

The Philippines is another country whose casinos have long relied on Chinese gamblers. Going back nearly 20 years, the casinos in Cagayan Province had catered to premium Chinese players. It was in that province that online gambling targeting Chinese players was first introduced. Online gambling evolved into what is now known as POGOs, an acronym for Philippine Offshore Gaming Operations. It is estimated that these operations now earn over \$8 billion from Chinese gamblers wagering online. The PRC had previously asked the Philippine government to curtail these operations since gambling in China is illegal, but their request was rebuffed. POGOs were deemed too important to the Philippine economy.

Junket operators had also operated in Cagayan and more recently in the integrated resorts at Entertainment City in the capital region of Manila. They delivered a steady stream of premium players to the casinos’ VIP rooms. In all probability, the two laws will be used to curtail tourism, as well as junket promoters who do business in the Philippines.

Vietnam is another nation whose foreigner-only casinos relied on Chinese visitors. The Crowne International Club in Danang caters to junket promoters and their customers, and until the pandemic, those junket promoters delivered a steady stream of players. In 2020, Hoiana, an integrated casino resort just south of Danang, opened its first phase. Owned in part by the Suncity Group, Hoiana's business strategy is dependent in large part on Suncity's junket division. These two laws could have a profound and negative effect on both operations.

Of all the regions that may be impacted by these laws, it is Macau that probably has the least to fear. While at one time, over 70% of the city's gaming revenues were derived by junket operations, that number has continued to drop, and gaming analysts predict that junkets will only make up a small portion of overall gaming revenues. Besides, the PRC understands the role Macau plays in satisfying the desires of its citizens to gamble occasionally. It can also keep a close eye on those players and the organizations that facilitate travel to the special administrative zone.

The pandemic may have put a temporary halt to international tourism and casino visitation. As the pandemic subsides, some countries may find that there will be a price to pay for their decades-long reliance on Chinese gamblers. That reckoning may turn out to be expensive.

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