

Economy **Joao Paulo Meneses** 21 Mar 2018

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It's now or never: the proper diversification of Macau's economy will depend upon what China wants to do with the new gaming concessions



When we asked [Ben Lee](#), one of the most knowledgeable in the territory about the intricacies of gambling in Macau, what could be the calendar for defining the future in the MSAR the IGamiX analyst replied that it would not be surprising if the process had already begun . . . in the China Liaison Office.

China does not have casinos, and while economic activity should be one of the MSAR's full autonomy areas the issue is too important for Beijing to ignore.

And Chinese 'supervision' happens not only when a senior leader speaks of the need to diversify local economic resources by reducing the weight casinos contribute to local GDP.

Does anyone really believe that the blueprint of what is to be announced in a few months has not been scrutinised by Beijing?

“The overwhelming dominance of gambling in Macau is not in line with the overall interests of Macau,” said Li Fei, chairman of the Macau Basic Law Committee under the Standing Committee of the National People’s Congress, some weeks before Xi Jinping’s trip to Macau in 2014.

“The fact that Macau’s economy, especially gaming, is closely connected with the Mainland determines that when one judges the overall interests of Macau one cannot focus only on Macau’s economic growth and tax revenue,” Li Fei expanded. “One must take into account the socioeconomic safety, stability and developmental interests of the Mainland and the whole nation.”

This statement, the most complete one made by a Chinese official on the subject, can be understood as a sort of map for what is to follow.

***“The overwhelming dominance of gambling in Macau is not in line with the overall interests of Macau” (Li Fei)***

The second wave of gaming concessions is the right time for China and the Macau Government to correct what has been found wanting in the first 20 years by adding new requirements and putting into practice what has been repeated for at least four years. Let us recall the words of China’s number three official, Zhang Dejiang, who, less than a year ago, declared: “Now Macau faces an important stage as it makes a transition in its development.”

“The Central Government has made it clear that it would like to see Macau further diversify its economy and it may subtly, or overtly, pressure Macau’s regulators to rethink the licensing renewal process” is the opinion of Andrew M. Klebanow, senior partner at Las Vegas-based Global Market Advisors, LLC.

There is unlikely to be a recurrence of what happened in 2001 when top Chinese leaders talked to potential investors – who subsequently got their licences. But as the authors of the book *Gaming, Governance and Public Policy in Macao* write: ‘The global environment is, of course, completely beyond the control of the Macau Government and even its ability to ameliorate its effects on the local economy is minimal.’ Newman Lam and Ian Scott highlight, by the way, the ‘strong anti-gambling sentiment within China.’

It is known what China wants for the gaming sector in Macau; what is not known is how this will translate into practical terms.

One thing seems certain: keeping everything as it is (i.e.) extending concessions for five years without adding new requirements, will not achieve the diversification objectives.

From here we enter an area of details albeit speculative. Nomura brokerage said this year that “we believe Beijing is agnostic about modest VIP / junket growth (approximately 15 per cent) as long as AML [anti-money laundering] and ‘Know Your Customer’ regulations are followed.’

Once again: anything can happen.

At this juncture, it is advisable not to throw away a card . . .

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