

# The Guardian



## Macau is betting on a new kind of Chinese tourism

The former Portuguese colony is threatened by a crackdown on its controversial 'junkets'. Now, with new malls and lavish shows, it is hoping to replace high rollers with middle-class families

**Jonathan Kaiman** *in Macau*

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**W**alk into a casino in China's gambling mecca, Macau, and the first thing that strikes you is the silence. There's no blaring music, no sharp cries of victory; all you hear is the rustle of clothing, a hushed conversation, the occasional thump on a table - subtle signs of fortunes made and lost.

If Las Vegas is a gaudy monument to the American dream of endless possibility, Macau, the only place in China where gambling is legal, is a fitting Chinese counterpoint: a temple to the acquisition of extreme wealth by any means necessary.

The former Portuguese colony, administered by Beijing as a "special autonomous region" since 1999, is just a speck on China's south coast, an 8 sq kilometre peninsula joined by bridges to two hilly islands in the South China Sea. Yet it's home to 35 casinos, which last year brought in a record \$45bn (£27.4bn), according to figures published last week by Macau's regulator, the

Gaming Inspection and Coordination Bureau. That is estimated to be more than seven times the amount made on Las Vegas's Strip.

But the peninsula has a problem: two-thirds of its gambling revenue still comes from closed-door VIP rooms controlled by "junkets" - companies that bring high-rolling punters across from the mainland on extravagant package deals and load them up with credit. Multimillion-pound bets and flights on private jets are common, as are suggestions of money laundering and links to organised crime. But over the past year the once-untouchable junkets have felt the chill of president Xi Jinping's crackdown on corruption among party officials.

Casino bosses have taken note - they are investing heavily in lavish resorts, high-end shopping malls and elaborate stage shows as the region tries to reinvent itself. Just as it once turned itself from colonial backwater to den of organised crime, now Macau needs to become a family tourist destination, a playground for China's burgeoning upper middle class. And they seem to be succeeding: last year's \$45bn takings were up nearly 19% from 2012.

"An accountant would say, looking at the balance sheets, that this thing is far from broken," said Glenn McCartney, a tourism expert at the University of Macau. "But when you go beyond the economics, you realise you shouldn't have all of your eggs in one basket."

Leading the transformation is the Venetian Macau, the world's largest casino (51,000 sq meters), housed in one of the world's largest buildings. Despite temperatures in the mid-teens, the ground outside its main entrance was covered in fake snow this Christmas. Opera singers belted out carols from a high balcony framed by ersatz gothic columns. Nearby, a man was handing out sweets.

"We're trying to give everybody a feeling of Christmas," said entertainment manager Guy Lesquoy.

Venice is too far away for most Chinese holidaymakers, but the Venetian offers a handy substitute. Over Christmas, 120,000 visitors a day walked its ersatz Italian streets and filled its 3,000 hotel suites. Lesquoy has 200 performers on his staff, including Russian acrobats, Belarusian flautists, and Filipino opera stars who croon Chinese folk tunes from gondolas plying the resort's third-floor grand canal. Overhead, a computer-controlled artificial blue sky was set to dusk.



Manny Pacquiao after his victory over Brandon Rios in Macau.  
Photograph: John Gurzinski/AFP/Getty Images

The Venetian also includes a 15,000 capacity sporting arena, a 92,000 sq metre shopping mall, four swimming pools, and an exhibition hall so vast that looking straight across its empty expanse inspires a feeling of falling. It recently hosted a fight featuring Filipino boxer Manny Pacquiao, as well as performances by Rihanna, Justin Bieber and Alicia Keys. The Rolling Stones will perform there in March; according to Lesquoy, tickets sold out in two hours.

Competitors have followed suit. Over the road, the mega-casino City of Dreams has opened two regular shows: Taboo - a cabaret - and the House of Dancing Water, an acrobatics spectacle directed by Franco Dragone, formerly of Cirque du Soleil.

Nearby, six more resorts are under construction. One, MGM Resorts, will include a 20,000-seat arena; another, an ultra-upscale boutique resort called Louis XIII, will boast a suite that costs nearly £80,000 a night.

Investors say Macau's bet on the continued prosperity of the middle class is a safe one. About 800,000 tourists from mainland China visited Macau in 1999; last year, that had grown to 17 million. Most arrive ready to spend.

"The average bet in Macau is at least US\$100, and I'm talking about the mass market," said Aaron Fischer of CLSA Asia Pacific Markets in Hong Kong. "That's a reflection of how crazy things have gotten in China."

Most of this money changes hands in round after lightning-fast round of baccarat, an old European card game based on chance. "Chinese gamblers don't come here for fun; they come here to win," said Desmond Lam of the University of Macau. About half of them only stay in Macau for about 24 hours: they play baccarat until first light, then stumble bleary-eyed on to the first Hong Kong-bound ferry of the day. Hence the silence.

"They believe in feng shui and they believe in luck - it's much stronger here than in western countries, and their gambling reflects that," said Lam.

On the casino floor of the Grand Lisboa hotel, a glittering, pineapple-shaped skyscraper visible from almost anywhere on the peninsula, two businessmen from China's Hunan province were bemoaning their losses over Taiwanese cigarettes, paying little attention to the nearly naked woman performing aerial acrobatics on a dangling blue ribbon behind them.

Such scenes were repeated across the peninsula. In a lush, suite-like room on the fourth floor of the Ponte 16 casino, a middle-aged woman with purple eyebrows sat alone at a baccarat table. She bet £300, lost it, and immediately laid down another stack of chips. In the Sands Macau, a man in a puffy pink jacket blew on the card he'd been dealt, slowly turned up one corner to reveal an eight of diamonds, pumped his fist in the air and slammed his elbow on the table. He collected his winnings and left. His seat was taken immediately.

Ben Lee of Macau-based consultancy IGamiX said Macau would struggle to be a tourist destination on the lines of Las Vegas. Beijing may want Macau to be an international showcase for China, much like its gleaming neighbour Hong Kong, but, said Lee: "All Macau is a showcase for is how much the Chinese from mainland China gamble." For non-gambling tourists there was simply much more to see elsewhere, he added.



The Venetian Hotel and Casino in Macau. Photograph: Dan Chung/The Guardian

And despite President Xi's crackdown on the junket system, some experts say that VIP rooms are still thriving. Junkets are nearly impossible to regulate: in private rooms several floors above the hordes of tourists, top clients continue to spend millions of pounds in off-the-record bets.

"Junkets are legitimate agents in Macau's casino system," said Philippa Symington of FTI Consulting's Shanghai office and the author of a recent report on money laundering in Macau. "Their activities can stray into criminal territory. This can range from working around occasional loose regulations - for example, enabling players to avoid identification - to relying on organised crime groups to collect gambling debts."

In some ways, money laundering is to Macau what corruption is to mainland China - ubiquitous, yet impossible to eradicate without undermining the entire economy.

China restricts the amount of money its citizens can carry abroad to about £2,000 per trip and £30,000 over a year. Macau appeals to wealthy mainlanders who, fearing scrutiny and volatility at home, may want to funnel their fortunes into overseas property markets and bank accounts.

Junkets take advance payments on the mainland and offer easy credit across the border, allowing clients to far exceed Beijing's limits. Streets near major casinos are lined with brightly lit pawn shops selling shrink-wrapped luxury watches for thousands of pounds, which punters from the mainland buy on credit and immediately return for cash.

The 2013 annual report from the Congressional-Executive Commission on China, a US government agency, quoted an anonymous academic as saying: "Each year, \$202bn in ill-gotten funds are channelled through Macau."

In December 2012, one of the region's most notorious criminals, gangland boss Wan Kuok-koi, known as Broken Tooth, was released after serving 14 years in prison for loan sharking, criminal association and illegal gambling. Wan once led 14K, the region's most notorious triad, and for many locals, his release was a reminder of how much had changed.

"I don't want to affect the stability of Macau," he told the *South China Morning Post*. "There's absolutely no way I want to do that."

Yet the lure of Macau's casinos again proved irresistible. In July, Wan told Hong Kong's *Next* magazine that he planned to open a VIP room in an unnamed casino. Rumour has it he's doing quite well.