



It's Kinmen's turn, and a last chance for Taiwan?



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On October 28, 2017, Kinmen Island will hold a referendum in which the residents will be asked if they would support the establishment of casino-based tourism resorts on the island. Kinmen (also known as Quemoy) is a Taiwan-controlled island located off the coast of China, just outside Xiamen harbor.

In 1949, Kinmen was the site of a major battle between the forces of the Communist armies of the People's Republic of China and the Nationalist army of the Republic of China (Taiwan). In the 1950's and 1960's Kinmen was shelled repeatedly by China, but since the establishment of the Mini Three Links in 2001, tourists from the mainland have been visiting Kinmen on a regular basis, primarily arriving on the ferry service from Xiamen.

Kinmen will be the third of Taiwan's offshore islands to hold a casino referendum. The ability of offshore islands like Kinmen to hold county-wide referendums on casino gaming arises under the 2009 amendments to the Offshore Islands Development Act (OIDA). In 2009, shortly after the OIDA was amended, and again in 2016, Penghu Island – which sits in the Taiwan Strait between Taiwan and mainland China – held referendums on casino gaming, both of which failed to garner a majority of favorable votes. In 2012, Matsu Island held a casino referendum which approved the establishment of casinos in Matsu. To this day, no casinos have been established in Taiwan.

Kinmen differs in important respects from the other two offshore islands. It is larger, (around five times the size of Macau), than either Penghu or Matsu and while its transportation links to the main island of Taiwan are not as advanced as Penghu's, it has better transportation links (mainly, a ferry service) to mainland China than either Penghu or Matsu. Perhaps even more significant for purposes of the upcoming referendum, Kinmen is also the most prosperous of the three islands.

Many of Kinmen's residents are military retirees, and the island boasts Taiwan's most famous Kaoliang distillery and bottling plant, a business which, by itself, brings in around NT\$7 billion (\$230.6 million) in tax revenue every year. Kinmen has also invested in tourism infrastructure in recent years, including new hotels, duty-free shops, a movie theater, and a growing number of former military installations that have been turned into tourist destinations. Indeed, the most important deficiency of Kinmen as a tourist destination is its airport, which lacks modern Inertial Landing Systems and the operations of which are

therefore more likely to be impacted by adverse weather conditions than airports on Taiwan.

Kinmen's relative prosperity may, however, actually prove a negative in the context of trying to stir up enthusiasm within the local populace for establishing casino-based resorts. Kinmen lacks neither jobs for its working-age population, nor revenue sources. Moreover, as the Taiwan Affairs Offices of both Fujian Province and the central PRC government have made clear in the past, a successful casino referendum and the subsequent establishment of casinos on Kinmen would almost certainly result in a substantial reduction of mainland Chinese tourists to Kinmen. This would, ironically, make Kinmen a less attractive casino gaming jurisdiction, given the fact that mainland China would be the primary target customer market for casinos located in Kinmen.

The bottom line, of course, is that a successful referendum in Kinmen is not a foregone conclusion. And even if it was a foregone conclusion, it would not necessarily follow that Taiwan will become Asia's newest gaming jurisdiction; the political climate in Taiwan has changed substantially since Matsu approved its casino referendum in 2012.

In fact, the Kinmen referendum could well be the final phase of efforts to legalize casino gaming in Taiwan that date back as far as 1989. With the exception of the period from 2000 to 2008, these efforts showed steady progress over the years, most recently resulting in the drafting, and introduction into the Taiwan legislature, of

the draft Tourism Casino Administration Act in 2013. The Act, however, has languished in the legislature since, and has yet to be passed into law.

In 2016, the Democratic Progressive Party, a party which has traditionally opposed casino gaming, won both the Presidency and an absolute majority in Taiwan's legislature. In October of 2016, in the run-up to the second Penghu referendum, President Tsai Ing-wen, in her dual capacities as both President of Taiwan and Chairwoman of the DPP, stated publicly and clearly that she and the party opposed the Penghu referendum and the establishment of casinos in Penghu. Subsequent to the failed Penghu referendum in 2016, one DPP legislator has actually proposed the repeal of the 2009 OIDA amendments, which would preclude any future referendums.

All of this suggests that, even if Kinmen does hold a successful referendum, it is not clear that the Taiwan legislature would pass the legislation required to allow the creation of casino-based tourism resorts on Kinmen and Matsu. In the event that the legislature fails to do so, it would be a clear signal to the industry that Taiwan does not plan to create a casino gaming industry any time soon.

***About the author**

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