Regional integration and differentiation in a globalizing China: the blending of government and business in post-colonial Macau

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CHAPTER 5.

The Macau Gaming Industry: historical patterns, contemporary policies and state-business relations in the local casino economy

5.1. Introduction

The gaming industry is a typical feature of Macau, making it a unique case in the region. Macau is nowadays China’s casino city and has recently become one of the most lucrative entertainment spots in East Asia, where every hour, around three million Macau Patacas (MOP) worth of chips are laid out as bets.\(^1\) Since most of the games practiced in Macau were (and still are) not allowed in Hong Kong or in the Mainland, it has always functioned as the gambling centre for people from Hong Kong, Mainland China and overseas Chinese.\(^2\)

The Macau casinos offer a wide variety of games and combine an entertaining means of making money with making use of traditional Chinese beliefs typical to the region.\(^3\) The origin of the majority of Macau’s gamblers lends some evidence

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2. Gambling is forbidden in Hong Kong, with the exception of the Jockey Club. In the Mainland, gambling activities have been prohibited since 1949.
3. Traditional beliefs are frequently displayed on business occasions and locations. For example, in Macau, it is not unusual for some apartment complexes not to count the number 4 – which is traditionally viewed as bringing bad luck. It is also usual for them to make use of geomancers and *feng shui* experts in construction and real-estate businesses. In retail shops and offices, one can usually find one or more shrines to which, on special occasions or as part of a routine, business owners make offerings – such as food or the burning of fake money – to bring luck (good fortune) and protection to the business, as well as material prosperity for the owner and his employees. It is common to hear stories of people which have had their car license-plates made with favourite or auspicious numbers, or personal combinations of numbers.
to the argument that the Chinese have a high demand for the entertainment and excitement provided by gambling, which they view as an attractive and recreational means of making money (Pinho 1991: 247). However, in Macau gambling is mostly done by outsiders: the majority of small and medium gamblers are usually tourists from the Chinese Mainland, coming in package bus-tour deals. The ‘high rollers’ or big money gamblers – the clients of the casinos’ VIP rooms – are usually rich individuals from Hong Kong and the Mainland. The locals tend to go to casinos on special occasions, during the Lunar Festival, around the Chinese New Year, and for birthday celebrations and other auspicious days. Government officials, however, either local or from the Mainland, are forbidden to bet, or even enter the casinos.4

In Macau, the gambling and tourism industries have blended into one; together they constitute the most visible, sizeable and profitable economic sector in the territory. Behind the economic success of Macau’s gambling industry in the last four decades is one company – the STDM (Sociedade de Turismo e Diversões de Macau) – and its charismatic president Stanley Ho. In 2002, the gaming sector was partially liberalized but this move has not affected Stanley Ho’s dominant position. He controls twelve casinos in Macau and keeps majority shares in dog-racing and horseracing tracks in the territory. In addition to casino and gambling venues, he has majority control over Shun Tak Holdings – listed in the Hong Kong stock exchange – through which he runs the regional transportation industry. He owns the Shun Tak’s Far East Hydrofoil fleet – connecting Hong Kong and Macau to several Chinese harbours – and Turbojet, the exclusive jetfoil operator between Macau and Hong Kong. He still owns one third of the Macau International Airport, 14 per cent of Macau’s airline (Air Macau), and 25 per cent of the Nam Van Lakes Reclamation Project.5 Additionally, he has majority shares in Macau’s most prestigious five-star hotels and department stores, as well as several restaurants, real-estate agencies, sauna parlours, and local bus companies that each day bring on average 20,000 Mainland Chinese tourists into Macau.

The aim of this chapter is to illustrate the specific kind of state-business relations that shape political and economic development in Macau, using the gaming industry as a paradigmatic case. The claim of this study is that the relationship between state and business institutions – the ties that bind commercial wealth to bureaucratic power – has become closer in the last two decades. The specific case of the gaming industry of Macau provides an extreme case on how the wealthiest and most successful Chinese entrepreneurs enter and influence the political system,

4 A Mainland Chinese official, ‘caught’ in the act of betting what apparently were state funds was sentenced to death in the Mainland, sometime in 2001 (Hoje Macau, 14 November 2001).
5 SCMP, 27 February 2002.
without altering it. The first part of this chapter describes the early development of gambling activities in Macau under Portuguese colonialism. It analyses the development of powerful interest groups around gambling activities, the role of the colonial authorities and the events that led to the concession of the gambling monopoly franchise to Stanley Ho’s STDM in 1962. The second part looks into the economic expansion of the Macau gambling industry under the STDM monopoly, which lasted precisely 40 years. In 2002, the end of the monopoly system in favour of a partially liberalized gaming industry constitutes one, if not ‘the’ major post-handover event. The final part of the chapter focuses on the terms of this partial liberalization, analysing the new government’s gambling policies and the economic and political position of the local gambling consortium vis-à-vis the new competitors. Though the new government’s economic role is unequivocally stronger than its Portuguese predecessor, the special characteristics of the gambling industry in Macau lend some evidence that the MSAR government’s policy-making capacity is still tied up with old business groups and interests, which had developed from Macau’s special status and a-typical colonial and post-colonial situation.

5.2. The development of Macau’s gaming industry in the colonial period (1850’s-1962)

Gaming activities have a long history in Macau (cf. Pinho 1991, Gunn 1996, McCartney and Nadkarni 2003). For example, Pinho writes of testimonies from friars and missionaries in the early eighteenth-century, who were appalled by the robbery, cheating, gambling, killing and other similar vices which dominated the territory (1991:247). Gambling houses have always existed in Macau and although not entirely legal, they were tolerated by the Portuguese authorities, when kept within the Chinese quarters of the city (McCartney and Nadkarni 2004: appendix 1). Gambling activities fell under the Mandarin’s jurisdiction, as they were mainly practiced within Macau’s Chinese community, and thus outside the reach of the colonial government.6

In the mid-19th century, the situation changed dramatically after the Opium Wars. The Portuguese colonial government declared full sovereignty over Macau, expelled the Chinese imperial officials and made its first attempt to regulate and

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6 The Mandarin was the permanent representative of the Macau Customs Post (hoppo) and since 1732, he had judicial powers over the Chinese population of Macau. For more on the Chinese Customs Post, see Chapter 2.
control gambling houses, which up until then had been under the jurisdiction of the local Mandarins. However, the hardening of Portuguese colonialism in Macau benefited the development of a Chinese capitalist class in the late 19th century, relatively free from colonial intervention and from political persecution in the Mainland (see Chapter 2). Portuguese colonialism offered a safe haven for waves of Chinese refugees, fleeing the Mainland for all kinds of reasons, and among these refugees, those carrying the Chinese tradition of secret societies found their way into Macau. These groups would assume a key, albeit ‘criminal’, role in the development of gambling businesses in Macau.

5.2.1. The colonial regime: the licensing system and the first monopoly concession

After the Opium Wars (1839-1846, 1856-1860) the changes introduced by the Portuguese colonial rulers in Macau marked the end of their political subjection to Qing China, most notably through the refusal of paying the land lease – which had been in force since 1557 – and the expulsion of Qing officials from the territory.7 With these measures, the Portuguese claimed sovereignty and full jurisdiction over the territory of Macau.

Macau thrived on the opium trade, but the rising competition from the British in Hong Kong precipitated a decline in the fiscal revenues collected on behalf of the Macau colony. Instead of the Chinese Customs Post, which had been extinguished by now, the colonial government had to accept the British fiscal monopoly over the opium trade. It thus sought for other financing means, and in this context gambling houses were for the first time legalised in 1850, through the introduction of a licensing system. The licensing system served two purposes: to collect additional revenues for the upkeep of a militarized outpost in Macau, and to impose order upon those gambling sites controlled by the secret societies (Pinho 1991: 235).

Later, with the Portuguese Estado Novo (1926-1974), the gambling houses were officially condemned as being ‘socially decadent,’ and attracting the ‘most miserable and depraved sections of the population,’ but they were nevertheless considered a necessary evil (Gunn 1996: 89).8 Trade was the lifeblood of Macau; however, with hardly any agriculture and a small industrial base, the small trading colony had few means and resources to compete against the much larger Hong

7 See Chapter 2.
8 Citing correspondence between the Governor of Macau and the Portuguese Ministry of Colonies in 1933. Cf. Gunn 1996, p.89.
Kong harbour, which had become one of the key British colonies in the region. The 1930s and 1940s were a particularly difficult period for Macau. The Japanese invasion of China, and the subsequent Chinese civil war, brought waves of Mainland refugees into the territory. The supply of basic goods into Macau was increasingly difficult to assure, and the local economy became more and more dependent on semi-legal and illegal smuggling networks (Gunn 1996: 88). Under such difficult economic circumstances, the Portuguese colonial government continued to tolerate the existence of gambling houses, simply because they generated income. At the same time, the colonial government was also gradually becoming more aware of the advantages that licensed gambling was bringing into Macau, as it realized in the early 1930s that one million dollars a year was being transferred from Hong Kong to Macau as payment for lottery tickets (Pinho 1991: 249).

The first gambling concession in the form of a monopoly franchise was established in 1934, when an exclusive license was granted to the Tai Xing Company, which already owned a casino in Macau’s Central Hotel. This company had been set up by two local Chinese entrepreneurs: Tai Kin and Fu Tak Yam, who also invested in construction and development projects, building apartment blocks in the Praia Grande bay and establishing several trading companies, banks and a sea transport company operating between Macau and Hong Kong (Gunn 1996: 91). The commercial branches of the Tai Xing included local banks (like the Tai Fung Bank managed by Ho Yin) and trading companies, like the Ng Fuk Tong or Five Fortunes Association, which handled the gold trade in Macau during the 1940s and 1950s (Gunn 1996: 92).

The monopoly contract gave the Tai Xing company exclusive rights over the existent gambling houses, in exchange for a share of the profits under the form of fiscal revenues. The gambling business blossomed in Macau, especially after 1949 when the recently established PRC banned all gambling inside China. The revenues from licensed gambling became an economic necessity for the Portuguese colonial government, but equally necessary was control over local gambling houses, which under the Tai Xing monopoly were still run by secret societies (Guedes 1991: 100). Fu Tak Yam, who succeeded Tai Kin as head of Tai Xing Co, was known to belong to some of these societies, which to some extent enabled him to keep competition at bay using all means to secure the control of the gambling monopoly (Pinho 1991: 249).

5.2.2. The role of secret societies

After the Opium Wars, the Chinese population of Macau had swollen with Mainland refugees. From this first wave of political and economic refugees, the ancient
Chinese tradition of secret societies or *triads*\(^9\) blossomed in Macau. From the mid-nineteenth century up until the 1950s, the active role of Chinese secret societies in Macau contributed to the territory’s strategic importance in trading and smuggling a variety of goods and equipment to and from China, like opium, gold or weapons and ammunitions. They were an endemic force in Macau’s underground and criminal economy, but with a crucial role in the development of Macau’s gambling industry.

Secret societies have had a long history in China. Originally, they served primarily political and ideological goals – most notably to overthrow the Manchus and replace them with a Ming ruler. Though historically they have usually had an opposition stance towards the Chinese state – which partly explains their secretive and esoteric nature – they also mimic the strict hierarchic and administrative order of those same established powers, with which they share the same ritualistic, ethnocentric and sometimes nationalist ideological base (Sousa Santos 1998: 475). Throughout the nineteenth and early twentieth-centuries, they constituted a large opposition force to the established political and administrative order of the Qing rulers. With the establishment of the British colony of Hong Kong and the expulsion of the Chinese Mandarin in Macau, these places became safe havens for these groups to recruit new members and re-organize their economic activities in order to achieve their political goal of restoring Ming rule in China.

After the fall of the Qing in 1911, Sun Yat Sen’s republic shattered the societies’ original objective of restoring the Ming Emperor, but they nevertheless remained active all over China during the KMT years; Sun Yat Sen himself had belonged to some of these societies, as did most of the KMT leader and warlords (cf. Chesneaux 1971, Fairbank 1989, Guedes 1991). Secret societies have had an instrumental role to those who sought to challenge and fight state power in China. They were used to fight the Qing imperial rulers, to implement Sun Yat Sen’s republic, to fight the Japanese, and during the Chinese civil war they provided their services to both parties in the conflict (Cf. Chesneaux 1971, Guedes 1991)\(^{10}\). They were particularly active all over China during the civil war of 1945-1949. Yet, after 1949 they were banned by the PRC mostly because of their KMT sympathies and connections, and many of them escaped to Taiwan, Hong Kong and Macau (Cf. Chesneaux 1971, Gunn 1996, Guedes 1991).

In Macau, secret societies have combined long political traditions with the development of a wide range of illegal and criminal activities serving economic

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\(9\) The name derives from one of the most powerful societies in seventeenth-century China – the Triad – which merged three different societies into one in 1674, to fight the Qing rulers and to restore the Ming (Guedes 1991: 205).

\(10\) Mao himself had requested support from one secret society in 1936 (Chesneaux 1971).
purposes. Though they are usually feared, they are also regarded as an integral part of Macau’s ancient cultural heritage (Sousa Santos 1998: 475). They are feared because they often use violent methods to obtain economic profit. But they are also feared by their political mercenarism, which might turn them into a potential threat to those who uphold state power, especially in China. Most of Macau’s secret societies were (and still are) local branches of larger societies with headquarters in the Mainland, Hong Kong or Taiwan. These groups somewhat resembled the associations described in Chapter 2 and 3, in that they were equally complex and hierarchic organizations, but essentially shaped by rituals and traditions found in ancient Chinese ideologies.\(^{11}\) Of course they contained clear differences vis-à-vis other associations, in particular, their secretive and esoteric character and their resort to semi-legal or illegal economic activities to finance political goals and activities elsewhere. In Macau, criminal activity can be understood as any other local business from the way it is tightly organized under triad control, just like other businesses are organized in economic and social associations. Moreover, the Macau triads are also part of international networks, which include other similar groups, from Hong Kong, Taiwan, the PRC (their ‘natural’ environments), but also from Russia, Japan and overseas branches in Europe, Australia and the US.

In Macau, the social, economic and political importance of secret societies has increased and decreased overtime depending on historical circumstances, yet they never disappear totally, and are thus an integral part, albeit illegal or semi-legal, of Macau’s social landscape (Guedes 1991: 164). In different historical periods, secret societies have surfaced in the local economy, playing an important role in semi-legal and illegal trading activities with the Mainland. Under Portuguese colonialism, they found in Macau a relatively safe place to blossom, mostly by seeking and disputing among themselves control positions in the local underground sector, which included the setting up of gambling houses to help these groups finance their political goals. During the 1920s, 1930s and 1940s, they were mostly associated with political organizations like the KMT and in businesses such as gold and weapons trade. Under the first monopoly concession (1934-1962), they developed an active role in the gambling businesses, especially in loan sharking and debt collecting services (cf. Guedes 1991).

Fok Kai Cheong—himself a relative of Fu Tak Yam—recalls that in the beginning of the STDM monopoly, in 1962, nobody dared to lease, rent or lend anything to this company, fearing the triad’s reprisals.\(^{12}\) Notwithstanding the aura of fear and

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11 See, for example Weber (1964), parts VI and VII, in which he describes how ‘Confucian’ bureaucratic rationalism was conciliated with orthodox and heterodox religious doctrines.

mystery surrounding these groups in the first years of the STDM monopoly, triad-controlled gambling sites did disappear, a sign that these groups might have been paid off by the STDM and that a business alliance was taking shape, under difficult and unstable political relations between Macau and China. This leads us to assume that the pacification of the local triad groups has been essential for the monopolist company; otherwise the structure of the local gambling business could collapse and fall prey to uncontrolled and ‘disorganized’ criminal interests.

The secret societies were the driving force of the Macau’s criminal economy, because they were highly organized rational actors, who used both legal and illegal means to achieve material gains. They became indispensable business partners for the monopolist company, with specific functions in the organization of the gambling business, from debt-collecting to security services and gambling management. Though this pattern originated from the shared political interests between secret societies and the first monopoly company (including the alleged membership of Fu Tak Yam to one of these groups and their KMT sympathies), it would remain in the decades to come.

5.2.3. The transition to the second monopoly concession

The transition to the second monopoly franchise in 1962 – to Stanley Ho and his STDM (Sociedade de Turismo e Diversões de Macau) – was not an easy one. In 1962, the substitution of the Tai Xing monopoly by that of the STDM occurred in a period of tense political relations between the Portuguese colonial government and the PRC (see Chapter 3). The growing influence of Mainland politics in Macau, and the frequent accusations by the Macau Xinhua that Fu Tak Yam and his associates were sympathizers of the KMT, forced the Portuguese colonial government to switch its concession to another bidder, after years of partnership with the Tai Xing Company. For the Portuguese, it was becoming increasingly important to avoid sheltering any interests hostile to the PRC – including hosting KMT supporters – in order to maintain Macau’s status quo, and peaceful, albeit unofficial, relations with the Mainland. The Portuguese government had thus strong political reasons to make the gambling monopoly change hands, which was against the interests of the old licensees. The increasing weakness of the colonial government, and the spread of PRC propaganda in the territory, made Macau more permeable to the political circumstances in China. Under these circumstances, the old licensees were forced to give in.

The best way to understand the political and economic reasons behind the creation of the STDM Company, and why it was given the monopoly franchise, is by looking closer at the life trajectory of its president, Hong Kong-born Stanley
Ho. By the time he acquired the gambling franchise in 1962, Stanley Ho was well known both in Macau and in China, mostly by his business merits.

Stanley Ho had moved to Macau in 1941, fleeing the Japanese occupation. He made his first million dollars three years later, allegedly in trading leftovers from the cooking and preparation of opium (Castanheira 1999: 80). In the 1950s, he was involved in the supply of goods and weapons to China during the Korean War. His role was to obtain import licenses from the Portuguese government for the goods coming into Macau, which he would then trans-ship into China, via Dili in East Timor. Once the boats heading to Dili were at a considerable distance from Macau, they would turn around and go back to China. Ho has admitted that although he did not know at the time if the Portuguese in Macau were aware of the full extent of the situation, he believes that they ‘closed their eyes, in order to give the Chinese people an opportunity.’

In this way, Stanley Ho developed close connections to the Portuguese Governors. But in contrast to his gambling predecessors – notable for their political sympathies towards the KMT – he managed to also capture the sympathy of PRC authorities, in recognition of his trading efforts during the Japanese occupation and the Korean War. In the PRC, the reputation of Stanley Ho as a ‘patriotic capitalist’ added to his millionaire status in Hong Kong and Macau, which gave him important advantages in presenting his proposal to the Portuguese colonial government.

In this enterprise, Stanley Ho counted on the political and financial support of a key figure from his native Hong Kong: Henry Fok, chairman of the Hong Kong Chinese General Chamber of Commerce and especially known for his connections to the Guangdong CCP. Henry Fok was appointed STDM vice-director in 1962, although he never lived, and hardly set foot, in Macau. In the course of time, Henry Fok became a member of the central government’s People’s Consultative Conference, which could also be understood as an attempt, in name of the central government, to participate in the running of Macau’s gaming industry. He would later state that he had never meant to take part in Macau’s gambling business; he just wanted to help his long-time friend and associate Stanley Ho to ‘save face’ in placing the bid back in 1962.

For the Portuguese administration, Stanley Ho’s plans to develop newly-built, Western-style casinos and use gambling profits to invest in the modernization of

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13 Stanley Ho, quoted in Lima and Cintra Torres 2004, p. 58.
14 Henry Fok’s withdrawal from the STDM in 2002 ‘sent a clear message from Beijing that politics should be separated from the economy, and comes to correct the misunderstanding that Beijing leaders meddled in the running of STDM.’ SCMP, 27 February 2002.
15 Hong Kong I-Mail, 26 February 2002.
Macau’s infrastructure, were extremely attractive from a financial point of view. Salazar’s government initially opposed this plan, but soon resumed its policy of looking the other way, provided that the colonial government was sufficiently discreet in its dealings with Stanley Ho (cf. Lima and Cintra Torres 2004: 57-63). In exchange for a share of the casino profits, the STDM gambling monopoly developed free from the interference of the colonial government.

5.3. The STDM Monopoly (1962-2002)

The gambling franchise attributed to the STDM in 1962 (renewable every 5 years) was an exclusive license to explore gambling activities in exchange for a payment of an annual premium of MOP 7 million. The agreement between the STDM and the colonial government implied not only the payment of these fixed taxes, but it additionally required the company’s extensive participation in the development of the territory’s infrastructure. In this deal, casino gambling was the magnet to attract tourists and to generate quick profits, both for the monopolist company and for the local government. Casino gambling sustained all economic activities of the STDM group and rapidly became the main source of revenues for the Portuguese administration.

The expansion and diversification of the STDM into transport, real estate and tourism businesses coincided with a period of political uncertainty in Macau and China. In this section, we will look into how the STDM group turned gambling into Macau’s most important economic sector, and what the Portuguese administration’s role was in this development.

5.3.1. Gaming regulation and government policies before the transition: the monopoly contract and land concessions

In 1974/75, the political changes introduced in Macau towards what was (still) an undefined decolonisation process, put a reformed Portuguese administration in a position to squeeze a larger share from the monopoly franchise, in the form of fiscal revenues and direct financial contributions to a growing number of governmental projects.

In 1975, the Macau Governor tried to renew the gambling contract before the expiry date. A self-called ‘developmentalist’, Garcia Leandro wanted to raise taxes from the gambling franchise, in order to increase both the government’s budget and its participation in the economic development of Macau, which he considered a
‘backward Hong Kong suburb’ at the time of his arrival in 1974. After two years of relentless negotiation, in 1977 – the year the contract officially expired – he succeeded in changing the terms of the monopoly contract, which now raised the taxed amount from MOP 7 million to MOP 60 million, adding the collection of a variable percentage to the annual premium, calculated according to the STDM’s total (gross) casino income.

With these measures, the Portuguese administration turned the terms of the gambling contract into its favour, by increasing its fiscal share over the monopoly franchise and using these financial resources to stimulate economic and industrial development in Macau. Pinho provides figures for the period between 1977 and 1984, and concludes that, between 1977 and 1982, government revenues originated mainly from gambling taxes and grew on average 32 per cent annually (Pinho 1991: 254-255). In the period between 1988 and 1996, we can see that the Portuguese administration continued to increase its revenues, due to increasing gambling profits. As we can see from the table below, the annual payments for the concession of the gambling license constitutes more than half of the total government revenues, and together with land concession premiums – to which STDM has been the most notorious recipient; they have grown to account for almost two thirds of the total government revenues.

From 1977 up until the last transition years, the Portuguese administration increasingly relied on the participation of the STDM group to fulfil its policy strategies, a strong sign of its financial dependency on gambling revenues. The economic importance of the STDM grew throughout the transition period because of the ever-increasing gambling revenues it ‘shared’ with the Portuguese administration and because of its crucial contribution towards the development of tourism-related infrastructure and services, transport infrastructure and the construction and restoration of cultural sites. In 1996, the last contract between the STDM and the Portuguese government was formulated in a context of speedy development, where all the contractual obligations taken up by the STDM had to be fulfilled before the monopoly expiry date of 31 December 2001. The terms of the last monopoly contract illustrate well the extent to which the Portuguese government depended on this company so that it could also fulfil its administrative obligations until the transition. In 1996, the payment of the annual concession ‘premium’ to the government reached the lump sum of MOP 150 million, plus the ‘rent of the concession of exclusiveness’, covering 32 per cent of gross casino revenues. The STDM was additionally obliged to maintain the maritime transport between Macau and Hong Kong, to participate in the construction of a new ferry terminal in Macau’s outer

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16 Interview with G.L., Lisbon, April 2003.
harbour, and in urbanization projects in the outer harbour land-reclamation area (NAPE). In return, the STDM obtained privileges in acquiring or reclaiming land for these projects. The STDM was also required to participate in 50 per cent of the costs of construction and maintenance of the Macau Cultural Centre and to contribute two per cent of gambling profits to the creation of foundations for academic, cultural, scientific and educational purposes, following a MOP 180 million initial contribution. The STDM was also required to contribute MOP 50 million to establish a social security fund for the unemployed and to share responsibility with the government in promoting local tourism, including maintaining and running economic and tourist information offices.¹⁷

The acquisition of land proved to be fundamental for the STDM’s economic expansion and in this respect, the most important role performed by the local government in terms of infrastructure development took the form of land concessions and land leases. Given the territory’s scarcity of land and given the low level of government interference via other instruments, the terms and conditions of land agreements and land leases constitute important policy parameters. Ninety-five per cent of Macau’s land is government owned. Land is normally leased for a period of twenty-five years with the option of renovating the contract once it has

Table 1. Percentage of monopoly franchise and land concessions’ revenues in total government revenues (1988-1996)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Government Revenues (bilions)</th>
<th>Growth Ratea) (Base: 1988 =100)</th>
<th>Revenues from Monopoly Franchise (bilions)</th>
<th>Percentage from total government revenues</th>
<th>Revenues from Land Concessions (bilions)</th>
<th>Percentage from total government revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>MOP 2,496</td>
<td>100</td>
<td>MOP 0,959</td>
<td>38%</td>
<td>MOP 0,363</td>
<td>14.5%</td>
</tr>
<tr>
<td>1991</td>
<td>MOP 5,777</td>
<td>231 (131%)</td>
<td>MOP 2,6</td>
<td>45%</td>
<td>MOP 1,050</td>
<td>18 %</td>
</tr>
<tr>
<td>1994</td>
<td>MOP 9,357</td>
<td>374 (62%)</td>
<td>MOP 4,6</td>
<td>49%</td>
<td>MOP 2,5</td>
<td>26%</td>
</tr>
<tr>
<td>1996</td>
<td>MOP 10,472</td>
<td>414 (10.64%)</td>
<td>MOP 6,1</td>
<td>58%</td>
<td>MOP 0,673</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Source: *Macau Statistical Yearbooks*, DSEC-Macau, several issues.

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a) Including percentage of growth in relation to the previous entry.

¹⁷ This made them responsible for more than 50 per cent of the expenditures of Macau’s EU office in Brussels. (Governor’s Decision 45, 1996).
After the Joint Declaration in 1987, it was stipulated that half of the revenue coming from land concessions would be managed by the Land Liaison Group and would remain for the post-1999 government. In the period between 1988 and 1994, land rents and premiums collected from land concessions rose threefold. \(^{19}\) The total amount of new land – including reclaimed land – to be used for construction, limited previously to 20 hectares, was raised to 35 hectares in 1991. \(^{20}\)

Industrial land is allocated among investors through land leases, conditions of which are negotiated case by case. During the transition, the revenues generated by land concessions and leases became the second largest source of government income, after the revenues from gambling concessions (see table 1). In the case of the monopoly franchise contract, the STDM was subject to special exemptions, like rent-free acquisition of land. Between 1991 and 1999, the Portuguese administration leased large amounts of land, mostly reclaimed from the sea, for a variety of projects, from urbanization to education, culture and transport infrastructure. The STDM contributed large funds, not only through the annual monopoly premium, but also as co-investor to major public works like the second Macau-Taipa bridge, the Ka Ho deep water port, the international airport and the Nam Van Lakes’ Project. \(^{21}\)

5.3.2. The organization of the STDM company

The STDM transformed the gambling business into Macau’s most productive and profitable economic sector. All the development obligations contained in the STDM’s successive monopoly contracts (in 1962, 1977, 1982 and 1996) directly caused the modernization of Macau’s economy and turned the STDM into Macau’s most powerful business holding. During the transition years, this company alone provided the backbone of the local services’ economy by investing in the modernization of Macau’s transport, accommodation and tourism infrastructure.

The STDM is the only company providing sea transportation to and from Macau; it also controlled 30 per cent of the shares of Macau’s International Airport, and owned around 200 coach-tour and travel agencies. The STDM built all of Macau’s

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18 Land concessions for residential and urban development purposes are allocated through an auction system. There are also differences in land prices: land in the Macau peninsula is more expensive than land in Taipa or Coloane islands.


20 LAGs and Investment Plan, 1991, p.201.

21 The Nam Van Company has a concession to reclaim land in the lakes at the bay of the Macau peninsula. It is obliged to give a share of the new land for government use.
four and five star hotels and financed all of the territory’s transportation networks, information media and tourism offices. Up until the sector’s liberalization in 2002, the STDM controlled all gambling sites in the territory: not only casinos, but also greyhound and horse racing tracks and the issuing of lottery tickets. Moreover, and according to a study by Chan, most of Macau’s restaurants, nightclubs, saunas and massage parlours belong to, or have business arrangements with, the STDM (2000: 66). Still according to the same study, in 1999 the STDM reported that, together with its associated companies, it employed 30 per cent of Macau’s labour force (Chan 2000: 68).

Under the STDM monopoly, the gambling industry has developed an interdependent relation with the tourism sector, in the setting up of businesses of transportation, travel agencies, hotels, and restaurants. Because gambling is the magnet attracting the majority of Macau’s tourists, Pinho (1991), Calvete (1992) and Berlie (1999) agree that in Macau tourism is a sub-sector of gambling. Chan (2000) argues the opposite, by claiming that gambling is a sub-sector of tourism because most of the players are non-residents (2000: 62). In either argument, the economic and social importance of the gambling industry cannot be fully apprehended unless we look into the specific organization patterns that characterized this industry in the monopoly period.

The STDM began by introducing important innovations in Macau’s gambling business. Originally, only Chinese games were played in Macau – Fan Tan and Mah Jong – as well as Chinese lotteries that included three draws a day (Pinho 1991: 249). In 1962, the STDM introduced Western-style casino games in Macau, in order to attract more gamblers into the territory, and diversified the supply of entertainment in the local casinos – for example, hosting shows and integrating shops and restaurants in the casino area, and introducing casinos is all Macau’s five-star hotels.

The STDM also organized a system for segregating high rollers into the casinos’ VIP rooms – which generate the big bulk of gaming revenues – using business partnerships in managing these rooms. The business partner, in charge of managing the VIP rooms is a kind of subcontractor who guarantees a monthly income for each room. From this monthly income, a share is used to pay the government taxes and the leftovers are split into 70 per cent for the STDM and 30 per cent for the partner.

The STDM has counted on a network of *junket operators* who identify and entice tourists and gamblers into its casinos. Macau is the most popular gambling destination in the region, attracting all kinds of gamblers from Hong Kong, the Mainland and the wider East Asian region. In this process, the STDM junket operators function simultaneously as travel agent, gambling facilitator and financier to tourists and potential players. They sort tourists out in terms of small, medium, and high players, and through their travel agent functions, they bring them to the casinos, nightclubs and other entertainment spots. The junket operators frequently finance the tourists by giving or selling those ‘dead’ gambling chips. These are gaming chips that
can be gambled or redeemed only in private transactions among players; they cannot be redeemed by the entity who issued the credit (junket) or the chips (casinos). The difference between ‘dead’ and ‘live chips’ is that the latter are purchased by the player directly in the casinos, which in this case are obliged to redeem these chips.

The STDM gambling monopoly owes much of its success to these credit lines given by junkets and VIP room operators, especially in attracting a constant flow of small and medium gamblers into its casinos – usually packaged-tour visitors and/or frequent gamblers. However, according to the local law, only banks and credit-card companies are allowed to concede credit in Macau, which makes these credit lines ‘unofficial’, at best. For the STDM, the system of granting credit to gamblers outside the casinos has shifted the potential risks away from the company and onto its subcontractors, usually the junket or VIP-room operator. The use of subcontractors has enabled the STDM to get out of the business of collecting bad debts, since in Macau there has never been any legal or official recourse for gambling-debt collection. With the increase in tourism from Mainland China, local junket networks have also helped Mainland gamblers to circumvent legal restrictions against taking more than RMB 100,000 out of the country: the Chinese player gambles against a credit line set up by the operator and repays him once he is back in China.

Finally, it is important to mention that some of the STDM’s subcontractors – mainly VIP room operators – are likely to be a member, or to have connections, to local and regional secret societies. The business relationship between the STDM and secret societies is widely talked about, but it has never really been explicitly formulated, except in the study by Guedes (1991). According to this author, since its beginning, the STDM employed the method of the ‘carrot and the stick’ towards these groups, by distributing a number of gambling rooms among the different and rival triads (Guedes 1991: 160). The arrangement worked in the following way: the strongest, most powerful group would get concessions in all Macau’s casinos, in exchange for the provision of security services in the gambling precinct. Other groups would also get concessions, but with smaller shares. The situation would last until one of the

23 Interview with J.O., Macau, March 2004.
24 The evidence collected by Guedes is mostly from local police reports and investigations. He is currently a journalist at the local radio and TV stations, and had previously worked for the Macau Police during the 1980’s. Based on this experience, he wrote in 1991 a book about organized crime in Macau (As Seitas. Histórias do crime e da política em Macau, Livros do Oriente).
smaller groups challenged the larger one. A triad war would always follow, resulting in violent actions such as kidnappings, assassinations or street fights.\textsuperscript{25}

Throughout the years, the control of the VIP-rooms of Macau’s casinos has changed hands, depending on who is, at any given moment, the strongest triad group. The ‘rise and fall’ dynamics of the local secret societies reflects their success, or failure, in acquiring control over the largest possible number of casinos and VIP rooms. Between 1986 and 1991, groups like ‘Great Circle’\textsuperscript{26}, ‘14k’\textsuperscript{27} or ‘Wo On Lok’\textsuperscript{28} – individually or in cooperation with other local smaller societies – have all conquered and lost ‘casino control’ in Stanley Ho’s gambling empire, as well as the control in transversal, semi-legal and illegal activities such as prostitution, loan racketeering and drugs (Guedes 1991: 171).

It was only by subcontracting services to the local triads that the STDM could develop and grow without facing any major threats or robberies from these groups. Though, at first glance, this can be qualified as continuous extortion, these subcontracting arrangements allowed the STDM to control and mitigate inter-triad conflicts, with the bonus of assuring protection from all of them (Sousa Santos 1998: 477). The relations between the STDM and the local triads were an important shaping factor of the gambling economy in Macau, to the extent that these ‘back-door’ business arrangements with the local triads were tolerated and accepted by the Portuguese authorities because they had few means to eradicate, or even control, this kind of organized crime in Macau.\textsuperscript{29} For example, one of the defining features

\textsuperscript{25} For example, the years immediately before the transition were stained by a climate of violence felt in 1998-99, with a wave of bombs exploding in nightclubs, killings and kidnappings. These events were attributed to a turf war among triad-connected VIP room operators, presumably battling for the control of these rooms after 1999, although rumours that the gambling business would be partially liberalized might have contributed to these events. (Interview with J. Guedes, Macau, January 2004)

\textsuperscript{26} Known in Portuguese as ‘Grande Círculo’, and Tai Yun Chai, in Chinese. It was established in the beginning of the 1960s, and in Macau it has no ‘violent record’. They operate mainly in illegal immigrants’ traffic and prostitution networks. Its particularity is that is was founded by ex-red guards and Chinese PLA ex-commandos from the Guangdong region. (cf Guedes 1991, appendix, p.203)

\textsuperscript{27} The 14K, meaning ‘fourteen karats’, was founded in Guangzhou in 1947 by a KMT general, and resulted from the unification of Guangdong and Guangxi’s principal secret societies. In the early 1990s, it counted between five and ten thousand members in Macau. (cf. Guedes 1991: appendix, p.202).

\textsuperscript{28} Also known as ‘Soi Fong’, and in Portuguese as ‘Gasosa’, it is believed to be originally from Coloane island in Macau, but according to Guedes it is a dissident branch of one of Hong Kong’s largest secret societies, also known as Wo On Lok (cf. Guedes 1991: appendix, 202).

\textsuperscript{29} The only attempt by the Portuguese government to intervene and condemn triad activities was a decree law of 1978, which provided for the first time a legal definition of secret societies
of these groups is that they have operated behind legal façades, usually sports and martial arts associations, and real or fictitious import-export firms (Guedes 1991: 164). They are equally notorious for the wide range of illegal activities that they have practiced throughout the centuries, basically everything from where profit can be extracted: smuggling, document forgery, illegal migration networks, extortion, protection services, kidnapping, sabotage and infiltration in the police corps (cf. Sousa Santos 1998: 479-488).

One illustrative example for how the Portuguese administration had few means to control or eradicate organized crime, or even interfere in the relationship between the STDM and secret societies, occurred in 1982 during a discussion in the Legislative Assembly about the revision of the STDM monopoly contract. The contract established, among other things that a government representative would take part in the STDM’s board meetings, a measure which was vehemently opposed by MCA leader and Legislative Assembly president Ho Yin (Guedes 1991: 163-166). This was because, according to Guedes, the STDM board of directors approved, among other things, the payment of sums to the local triads (1991: 165).

Neither the STDM nor its corporate directors ever participated directly in Macau’s political decision-making bodies, though the STDM was (and still is) a collective member of the MCA. In this particular situation, the possibility of direct government intervention in the STDM’s corporate decisions was against the interests of not only the STDM, but also the entire business community, accustomed to a non-interfering government in what their businesses were concerned, and at the same accustomed to enjoying a privileged position within the Portuguese administration. The timely intervention of Ho Yin resulted in erasing the line in question, cutting off governmental access to Macau’s largest business group and sparing Stanley Ho’s ‘face’ in having to justify his corporate decisions to the Portuguese government.

5.4. The partial liberalization of Macau’s gaming industry (2002-2004)

The policy strategy taken by the previous Portuguese administration had been based on the fiscal advantages brought about by the gambling monopoly, which

under the Macau law and a special punitive system for these organized crime groups (Sousa Santos 1998: 484).
had allowed for the existence of a tax haven for all other industries and economic activities.\(^{30}\) During the 1990s, the Portuguese Administration had played down its role in the tourism industry, by rather praising Macau’s cultural and linguistic heritage as the focus for tourist and international attraction.\(^{31}\) However, as early as 1992, a Portuguese advisor to the local government had then emphasized the fact that the administration should be realistic enough to consider transforming Macau into ‘a Disneyland for adults,’ an interesting fact considering that it has been adopted by the post-handover administration. In referring to the need for marketing Macau’s specific differences and attractions, the advisor in question stated that ‘(Macau) is less a unique cultural reality and far more a unique chance of getting rich.’ (Calvete 1992:773).\(^{32}\)

Without totally discarding this line of thought, the new SAR government has engaged in a more direct and pragmatic approach by turning gambling into Macau’s major economic and tourist attraction. The chief difference between the Portuguese and the current Chinese administration is that, while the Portuguese believed that those revenues should be used in ‘developing global links in order not to be engulfed by Zhuhai,’\(^{33}\) for the new administration the trend is to use these resources ‘to go regional’.\(^{34}\) The transition of Macau into a Chinese SAR and the consequent strategy of regional economic integration has brought positive effects to the local gambling industry. Especially since the handover, the number of Mainland Chinese gambling tourists has skyrocketed, resulting from a tendency that gradually took shape in the last ten to fifteen years, in which the number of Mainland Chinese tourists has grown faster than the number of visitors coming from Taiwan, Japan, or via Hong Kong.\(^{35}\)

Prior to the transition, the joint effort by the STDM and the Macau government in developing infrastructure and transportation links connecting Macau to China and the wider East Asian region further stimulated gambling-related tourism in Macau. The construction of the Macau airport (with several daily flights to and from Taiwan and Mainland China), twenty-four hour ferry services connect-

\(^{30}\) Including the existence of symbolic income taxes – around MOP 500 a year (around EUR 50).
\(^{31}\) Interview with Jorge Rangel, Macau February 2004.
\(^{32}\) The author (and political advisor) considered M.E. Porter’s Diamond Model (1990) a ‘good model with the merit of giving a whole developmental programme to any administration’, which could be successfully applied in the local gambling industry. (Calvete 1992: 773, footnote 31).
\(^{33}\) LAGs 1998, preamble.
\(^{34}\) ‘Macau’s economy should adapt itself to the neighbouring economies to achieve double results with half of the effort.’ LAGs 2001, p.21.
\(^{35}\) Macau Tourism Statistics DSEC, 1995-2002
ing Macau to Guangdong and Hong Kong; two land borders, and increasing bus excursions and coach tours from Guangdong province have encouraged increasing numbers of visitors and tourists from all over the Mainland and wider East Asian region to come to Macau. After the transition, the Macau gambling industry relies heavily on the regional tourist market, i.e., on the vast number of gambling tourists who arrive everyday in Macau, mostly by sea – via Hong Kong – or by land from the Chinese Mainland. In view of this, the Chinese central government has allowed for looser measures in granting individual visas to mainlanders for tourism and recreational purposes, from a number of cities and regions. According to MSAR Secretary for Social Affairs and Culture, the PRC’s new travel policies have stimulated Macau’s tourism and economy. However, these measures are insufficient to explain why and how the Macau gambling industry continues to be the economic backbone of the territory. The new policy measures taken by the MSAR government have precipitated a major re-organization of the local gambling industry, towards the partial liberalization of the sector. In the next sections, we will look into what this partial liberalization is about and how this is related with the post-transition tendencies of increasing regional integration with the Mainland.

5.4.1. Government policy after the transition: the new gaming regulations

Since the transition, government policy has mostly been directed at ‘intensifying the intervention in gambling sector management and adjusting land concession policies (…) so that Macau can use its unique advantages as a major tourist destination.’ Shortly after the handover, Edmund Ho’s executive started to work on a new legal regime for the economic exploration of games in casinos, as the STDM contract approached its expiry date in December 2001. The concession of the three new gambling licenses constitutes an important post-handover event because it was designed by the new government to bring more economic opportunities, in the form of foreign investment and more employment in Macau’s most profitable and sizeable industry.

The new gambling regime – Decree-law 16/2001 – defines Macau as a ‘continuous gaming zone’ and clarifies the local government’s exclusive authority in defining the spaces and the modes through which gambling is practiced in the territory. Most importantly, the new gambling law expanded to three the number

36 LAGs 2001, p.21-23.
37 DL 16/2001, article 5.
of concessions for casino development. In comparison to the gambling monopoly situation, the difference now is that the rules spelled out by the Macau government are applicable not to one but three license owners, on a non-discriminatory basis.

Decree Law 16/2001 declares that the enterprises under concession should have a minimum capital of MOP 200 million, a deputy-administrator who is a permanent local resident and who owns at least 10 per cent of the enterprise capital. This means that the companies wishing to participate in the Government’s bid for the award of gambling licenses should be constituted in the MSAR, and must include local partners in their development projects. The licensed companies have to pay an annual premium, left to the government’s criteria, plus a gambling tax of 35 per cent of their gross revenues. In addition to this premium they have to provide two per cent of their total gross revenues to philanthropy institutions, three per cent to urban development and five per cent to tourism promotion. The licensed companies have the right to acquire or lease land, under favourable conditions, which means that gambling-related construction projects have priority in land biddings and land reclamation projects. In contrast with enterprises and firms in other economic sectors, like industry and trade, the companies exploring the gambling sector are obliged to have their accounts organized for governmental inspection, and to present them on a yearly basis to the tax collecting departments of the MSAR government. The fiscal criteria to collect gambling revenues and fix concession premiums are left to the discretion of the MSAR government.

With this initiative, the Macau government now collects annual gambling premiums not from one, but from three sources or concessions. The model of government concession is maintained, as well the extensive development requirements in exchange for the gambling license. However, the changing economic environment, characterized by an increase in governmental regulation and by the participation of foreign investors in the Macau gambling business, has precipitated a major reorganization of the gambling sector, previously in the hands of one company, but which has now been diversifying into new business alliances and partnerships. I will now turn to a description of the three casino licensees to show how the new and the old gambling business interests are being played out in relation to the new government’s policies.

38 DL 16/2001, article 19.
39 DL 16/2001, article 27.
40 These are sent to the Directorate of Inspection and Coordination of Gaming activities (DICJ) and to the Financial Services Department (DL 16/2001, art. 30).
5.4.2. The three gaming concessions

In 2001, a total of thirty-five projects applied for the MSAR government bid in making available three gambling licenses in Macau.\(^{41}\) Most of the projects comprised of diversion, entertainment or thematic parks, exhibition and convention centres, as well as several new casinos and hotels. Some of them even included skiing tracks, rural casinos and erupting volcanoes, which were quite bizarre considering Macau’s sub-tropical climate and natural shortcomings, but quite common in the casino business.\(^{42}\) The investment projects included capital from a variety of places, like Malaysia, Taiwan, the UK and Mexico, but the identity of the investors and shareholders were left undisclosed. When questioned about the criteria used to decide who would get the licenses, the MSAR Secretary for the Economy and Finance answered that ‘experience and capacity of the companies to manage casinos was a more important criteria than the amount and quality of the investment.’\(^{43}\) In February 2002, the MSAR government announced the winners of the three casino licenses, thus officially putting an end to the STDM monopoly.

The first license was attributed to Stanley Ho and to his recently constituted SJM (Sociedade de Jogos de Macau). Until 2002, Stanley Ho owned all existing casinos in Macau, and after securing one of the three government licenses in February 2002, the STDM was renamed Sociedade de Jogos de Macau (SJM). The restructuring of the STDM into the casino company SJM has been a success to the extent that in 2003, it recorded USD 3.5 billion in total gaming revenue, signifying a 27 per cent increase in relation to 2002.\(^{44}\)

Under the SJM concession, Macau’s first ever theme park - the Macau Fisherman’s Wharf - occupies some 92,903 square metres of land, 40 per cent of which was reclaimed. Approaching the Macau Jetfoil Pier coming by boat from Hong Kong, one is struck by the sight of typical Amsterdam canal houses mixed with St. Mark’s church in Venice, a display of the future Legend Wharf: ‘An architectural replica of major ports and mercantile cities of the Western world, with touches of European and Latin architectural styles.’\(^{45}\) Along the water-front of the Legend Wharf, a marina serves visitors supposedly coming in their private yachts. Located at the outer harbour, this MOP 1.2 billion project was co-developed by Stanley Ho

\(^{41}\) *Hoje Macau*, 10 December 2001.

\(^{42}\) The most notorious example being Las Vegas, located in the middle of the desert, where there is an artificial volcano that erupts three times a day.


\(^{44}\) *Ponto Final*, 9 January 2004.

and David Chow. David Chow is an old-time associate of Stanley Ho: he was one of the STDM’s upmarket junket operators, owning several travel companies, the Macau Legend Club and the Landmark Plaza, where every day a long line of black limousines are parked, waiting for VIPs to do their gambling, drink in its expensive bars and shop at its boutiques. As soon as the SJM emerged as one of the three gambling licensees, the casino manager and junketeer come-developer David Chow sponsored two large projects: the Fisherman’s Wharf and the Pharaoh Palace, a casino operating since November 2003 in the Macau Landmark. What makes David Chow different from others that have amassed fortunes in the local gambling industry is that he is also a deputy to the local Legislative Assembly, elected by universal suffrage. He has become both one of Macau’s most influential entrepreneurs and also a ‘politician’ chosen by the local population to be one of its direct representatives in the local legislative body. David Chow believes it is an historic time to be a legislator: ‘I’m a legislator for two systems, the Portuguese one and the Chinese one. It’s doubled the work, but doubles the pay!’

Apart from the construction of Lisboa II, a new mega-casino situated opposite the historical Lisboa Hotel, the SJM also negotiated a sub-concession with the American-based global entertainment company MGM-Mirage, which can be understood as a key move to prepare for future competition by the other licensees. Heading the negotiations was Stanley Ho’s daughter, Pansy Ho, which ‘is a clear sign he regards her as his best bet to continue his work and that he wants her to get directly involved in his casino business in Macau’. This is an indication that the SJM empire will remain under tight control of Stanley Ho and his family.

In this particular case, the SJM’s new business partner is an old timer in the international gambling business. The MGM-Mirage group operates fourteen casino resorts in the USA and Australia, and though it had lost in the race for the three licenses in 2002, as a sub-contractor of the local SJM, it will open a casino in Macau under the same license. The SJM and the MGM-Mirage have formed a joint-venture, by launching the construction of a hotel-casino complex of estimated investment value of MOP 7,800 million, scheduled to open in 2007. This business deal illustrates that the concession of the licenses has not been all that restricted, paving the way for other companies, which either lost or were not even part of the initial selection, to still enter the market through joint-ventures and subcontracting agreements.

46 SCMP, 27 November 1999.
47 This hotel constitutes one of Macau’s most notorious landmarks. It was Stanley Ho’s first casino, opening in 1963, and its VIP rooms are the most profitable gambling sites in Macau.
48 SCMP, 8 February 2004.
The SJM is also disputing land concessions in the COTAI area—a reclaimed-land strip linking Taipa and Coloane Islands—with the other licensees. Although the SJM now has to face heavy competition from the Americans in the Macau gambling business, it will be difficult for other concession owners to match, in the short run, the SJM group or what the previous STDM had achieved. Local observers expect that Stanley Ho’s influence will remain dominant in Macau, even if his casinos lack the glamour of Las Vegas—being crowded, a bit rundown and lax on dress standards—but they are still home to big-money Chinese gamblers and low on restrictions on the amounts of cash being gambled.

Despite the SJM’s established position in the Macau gambling business, the other newcomers are eager to compete with Stanley Ho. The second government license was awarded to the Galaxy Resort and Casino Company, owned by Hong Kong property businessman Lui Chee Woo. The interesting thing about this license is that it included from the beginning the Venetian-Sands Group as a sub-concession, through a partnership with Sheldon Alderson, the chairman of the Las Vegas Sands, which is the parent company of the Las Vegas-based Venetian group and since 2002, the major partner in the Galaxy-Venetian Casino Consortium. Under the same concession, the first two projects of this business consortium, the Galaxy Star World Casino and the Macau Sands Casino are already in full operation. The Galaxy casino, inaugurated in the autumn of 2003, belongs to the Hong Kong investors and resembles the SJM owned casinos—such as the Jai Alai or the Lisboa. The Macau Sands Casino is owned by Sheldon Alderson’s group and it was the first American casino company to open in Macau, offering around 2,000 jobs for casino and hotel staff. The Macau Sands Casino contrasts with other already existing casinos in that it is a Las Vegas style, grand-casino, with an impressive display of kitsch style, eight-meter long chandeliers hanging from the central hall’s ceiling, and the gleaming golden towers right next to the luxurious Mandarin Oriental hotel. In May 2004, over 500,000 people (more than the entire population of Macau) came to this casino’s inauguration. Though the building was not yet fully finished, it had already 400 fully functioning game tables as well as 600 slot machines, as well as plenty of restaurants and entertainment venues. The scale of the new casino is matched by the number of visitors registered in July 2004: around one million people are estimated to have visited it during that month alone, either to gamble or to eat and drink in the various restaurants and bars.

49 Hoje Macau, 2 June 2005.
50 Interview with J.F., Macau, February 2004.
51 As part of the licensing agreement, the casino concessionaires must give preference to the local (resident) population (Ponto Final, 5 January 2004).
52 Hoje Macau, 30 July 2004.
As a newcomer in the Macau gambling business, Alderson’s strategy seems to be: ‘build it and they will come.’ Sheldon Alderson has declared Macau’s gaming industry to have ‘one billion potential costumers within a two-hour plane ride, and 60 million within a two-hour car ride, [it] can easily surpass Las Vegas.’\(^5\) He is thus confident in the returns of his investments in Macau, and has already committed an estimated USD eight billion\(^5\) in the Macau Sands and in the Venetian-theme complex of casinos and hotels in the COTAI area. While he disputes land concessions in the Cotai with Stanley Ho, Alderson’s plans to build a 3,000-room Macau Venetian hotel have already materialized. The Macau Venetian opened in 2006 and boasts the ‘world’s biggest casino, with 600,000 square feet of gambling space’\(^5\). The Macau Venetian is a huge complex, hosting 3,000 hotel suites, several shopping malls and convention centres, swimming pools, restaurants and a 15,000-seat showroom.

Wynn Resorts is Macau’s third licensee, also a Las Vegas-based company. Representing it is Steve Wynn, another Las Vegas casino mogul. The project of a ‘luxurious mega-hotel and casino’ on the western side of the NAPE area (Outer Harbour Reclaimed Land Area) progressed slowly, in comparison with the Macau Sands or the Venetian. Wynn Macau is also smaller than its competitors, but it still hosts Macau’s ‘most sophisticated and sleek casinos, shopping malls, health clubs and restaurants’.\(^6\) The architecture is the same as its Las Vegas counterpart – a wide curved tower – and it still includes 600 hotel rooms and suites, located just across the Lisboa Hotel and a five-minute walk from Macau’s historical centre.

The wave of casino investment brought by the awarding of three gambling licenses is visibly changing Macau’s landscape into a string of flashy buildings, round-the-clock entertainment and shopping spots. Between 2002 and 2006, seven new casinos have opened in Macau, as part of larger building complexes that include convention and exhibition centres, entertainment venues, a multitude of shops and restaurants, health clubs and swimming pools. Under the SJM concession, the Fisherman’s Wharf Theme and Entertainment Park, and the Macau Landmark Plaza already operate their respective casinos, and two more are expected, with the construction of the MGM Grand Macau and the new Lisboa hotel casino, both scheduled to open in 2007. Steve Wynn has his newly built Wynn Macau, and is the only licensee who operates alone; for the moment Wynn Macau is his only project in Macau. The Galaxy-Sands-Venetian group currently control four casinos – the Galaxy Waldo, Galaxy Starworld, the Macau Sands and the Macau Venetian; these

\(^5\) SCMP, 5 December 2003.
\(^6\) FEER, 11 March 04.

http://www.macauresorts.com/hotels/venetian-macau.html
http://www.macauresorts.com/hotels/wynn-macau.html
last three are located in the highly disputed COTAI reclaimed area. Alderson’s business vision for Macau is to turn the COTAI isthmus into a Las-Vegas Strip. In this plan, he competes directly with the SJM and MGM Mirage alliance, to acquire land and develop the COTAI.\textsuperscript{57} Alderson figures that, though it took at least thirty years for Vegas to become Vegas, it will take only five years for Macau’s COTAI to become Asia’s entertainment Mecca.\textsuperscript{58}

5.4.3. Post-handover patterns in the gambling industry (I):
the new regulatory regime

The concession of three new casino licenses has begun a new stage of expansion of the Macau gambling industry. The new wave of casinos has also been sustained by growing numbers of gamblers, mainly coming from China. This constitutes a major factor taken into consideration by both old and new casino developers and entrepreneurs, and it is understood that Mainland policies have also contributed to the increase in the number of visitors to Macau’s casinos. According to the MSAR government, the PRC’s new travel policies – allowing Mainland residents to visit Macau as individual travellers – has brought an enormous increase of these tourists to the territory. In 2003, the SJM alone recorded 25 per cent more revenues than in 2002 and was expected to bring around MOP 9 billion in casino gross revenue tax to the government in the first half of 2004.\textsuperscript{59} In 2003, Macau recorded 11.9 million visitor arrivals, which is a remarkable figure if one takes into account, for example the size of the local population (about 494,000 people) or the negative impact of the epidemic outbreak in neighbouring regions in the first half of that year.\textsuperscript{60} According to local tourism statistics, 63% of those visitors came by land or sea from the PRC, which signified a 25% increase in relation to the previous year.\textsuperscript{61}

With more casinos and the expected increase in the numbers of gamblers and tourists, the MSAR government continues to assure ever-growing revenues. Yet the government has also issued new and tougher measures to regulate one specific area, which up until the transition developed outside of any kind of government interference: the modes of concession of credit to gamblers in Macau’s casinos. The Macau law prohibits anyone other than banks and credit card companies from issuing credit

\textsuperscript{57} Hoje Macau, 2 June 2005.
\textsuperscript{58} FEER, 11 March 2004.
\textsuperscript{59} Ponto Final, 8 January 2004.
\textsuperscript{60} Macau was spared, recording just one confirmed case. (Ponto Final, 8 January 2004).
\textsuperscript{61} Macau Tourism Statistics, 2003 (3\textsuperscript{rd} and 4\textsuperscript{th} quarter), DSEC, pp.15-17.
within the territory. However, gambling credit has been granted by a variety of people during the STDM monopoly, all of it technically illegal, but nevertheless tolerated by the Portuguese authorities.

In addition to the new legislation regulating the terms of the concession of casino licenses in Macau, in December 2003 the MSAR government started to draft new legislation allowing casinos and junket operators to grant credit to gamblers, through a number of rules and conditions. In the first place, this legislation clarifies that the concessionaires and their sub-concessions are entitled to give credit inside their own casinos.\textsuperscript{62} All credit for gamblers granted outside the concessions, sub-concessions, banks and credit-card companies, remains illegal. Secondly, credit in the casinos can only be given in the form of betting chips; and this is compulsory for all the concessionaires. With this point, the law acknowledges and differentiates ‘concession of gambling credit’ from other forms of credit: it occurs when the credit-giving entity (casino) or individual (junket), transfers betting chips to any recipient who does not pay them on the spot. Both the casino and the junket operator are now recognized as legal credit-giving institutions. But according to the new regulations, the junket operators that wish to continue acting as financiers can only give credit in the form of ‘dead’ betting chips. ‘Dead chips’ are those that can only be redeemed in private transactions with another player, i.e., they are non-negotiable (cannot be exchanged or redeemed for money) and cannot be used for any purpose, except to gamble. As opposed to ‘live chips’, they are supplied to gamblers that do not risk their own money during play. Dead chips represent the actual cash that a player is risking and may cash out even before playing, and it can be directly redeemed at the credit-issuing entity, or casino.

These regulations do not include any restrictions nor fix any maximum amounts of credit that can be given, leaving it to the discretion of the concessions; but they do include eventual tax exemptions in the event of ‘créditos mal parados’ – bad debts from gamblers – which will not be taken into account in the deduction of gambling taxes, to the benefit of the concessionaires.

This legal package provides the ‘normative anchor of the liberalization and internationalization policies of Macau’s gaming industry’.\textsuperscript{63} However, it is essentially meant to appease foreign investors, who after winning their concession remained wary of Macau’s junket system. Early in 2004, Wynn publicly stated that it was more important to insist on legal changes about credit concession than being building his casino because what was going on in Macau was suspicious at best.\textsuperscript{64}

\textsuperscript{62} Law proposal regulating the concession of credit in casino games, 2004, article 2.
\textsuperscript{63} Law proposal regulating the concession of credit in casino games, 2004, p.1.
\textsuperscript{64} FEER, 11 March 04.
He was particularly concerned with Macau’s junket operation system, and admitted thinking about bringing his own network of people. Yet, he also recognized that he did not know much about the Chinese gambler profile, nor about the ‘high rollers’ – his main target group – from Hong Kong, Guangzhou, Dongguan and Shanghai who were the frequent guests of Stanley Ho’s casinos. In November 2003, Steve Wynn even threatened to pull his investments out at a press conference in Macau, where he claimed Macau officials were ‘dragging their heels’ in passing suitable legislation: ‘If they can’t create a regulatory environment that is safe for me, I’m passing’.

Despite Wynn’s open criticism, the MSAR government included representatives of all the concessionaires and local junket and tour operators in the consultation process for the new law on credit concession in casinos. Whereas both David Chow (SJM) and Lau Chi Wu (Galaxy) expressed their satisfaction with the MSAR government draft law, the American investors expressed their reservation, due to certain incompatibilities with the American gambling licensing system. Steve Wynn raised more than once the issue on whether Macau junket and tour operators, who had obtained vast experience under the STDM monopoly, were ‘suitable’ to work for Wynn Resorts and the Venetian-Sands. The American licensees already possessed gambling licenses issued by the federal state of Nevada, which regulates their corporate activities not only in the USA but also in the rest of the world. According to the Nevada gambling regulations, the licensees can only associate with ‘suitable’ partners when doing business overseas – suitability which is determined by the Nevada Gaming Concession after proper investigation. According to the *Far Eastern Economic Review* (11 March 2004), 80 per cent of Macau’s junket operators were not ‘clean’, meaning that they were either not registered or were suspected of belonging to organized crime groups. However, according to a Portuguese legislator involved in the drafting of the law on credit concession to gamblers, the proportion cannot be so high because some of the biggest junket operators (including David Chow) are already licensed in Las Vegas and ‘most of them don’t necessarily want Stanley Ho to know that they will bring players to Las Vegas the same way they bring them to him.’

Not only has Wynn openly criticised the government of Macau, but also challenged publicly one of his direct competitors, David Chow, who, Wynn discovered,

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65 *FEER*, 11 March 04.
66 *FEER*, 11 March 04.
owed a considerable sum of money to one of Wynn’s casinos in Las Vegas. Commenting Wynn’s statements on the inadequacy of Macau’s junkets, a local deputy wondered why the Americans were so quick to pour money into Macau if they did not know what they were doing. This deputy – who happens to be a political associate of David Chow – believes that Steve Wynn’s problem is fear of competition. Chow himself has a similar, though more constructive, view: instead of exerting pressure on Macau’s authorities ‘(…) the Americans should learn from Macau and from its unique gaming culture, (…) with a local junket-tour system that has worked very well for forty years.’ Overall, and in the eyes of the local gambling entrepreneurs and competitors, Wynn’s approach to discuss those issues was careless, and like many other Westerners wanting to enter the China market, it was demonstrative of: ‘(…) his lack of knowledge about our culture and our habits in Macau. He is another American trying to eat the whole pie.’ He made his competitors and the local government officials ‘lose face’, which can be potentially damaging to those who try to build a successful business in China.

In the new gambling environment, the issues of granting credit in the casinos and the suitability of Macau’s junkets have come to the spotlight. Regarding this last issue, the Macau government has promised new mechanisms for scrutinizing and licensing local junket and tour operators. But overall, the law on the concession of credit to gamblers still affords some flexibility in the terms through which junkets and VIP room operators can continue to grant credit to gamblers in Macau’s casinos. In fact, these regulations are rather the legalisation of the informal credit concession system, as practiced in the past by the monopolist company. Credit-giving practices outside the casinos remain illegal, as a matter of principle, but the law leaves wide room for interpretation because it limits itself on what goes on inside the casinos and does not sanction these practices outside the gambling precinct. Though the government may have taken the lead in legislating gambling activities, these regulations constitute an illustrative example of how policy formulation in China – in this case legislative initiative – is sometimes preceded by its practical implementation. In other words, the government of Macau has decided to legislate on what was already the practice inside Stanley Ho’s casinos.

70 Interview with J.F., Macau, February 2004.
71 SCMP, 5 March 2003.
72 Interview with J.F., Macau, February 2004.
5.4.4. Post-handover patterns in the gambling industry (II): the re-organization of local gaming entrepreneurs vis-à-vis new competitors

The recent economic expansion of the Macau gambling industry has likewise forced the re-adjustment to the new situation of the traditional gambling interests, previously organized under the STDM’s monopoly structure. In response to the MSAR government’s regulatory changes, in February 2004, the Macau junkets and tour promoters organized into a new association in a ceremony sponsored by the MCA: the General Association of Administrators and Promoters for the Macau Gaming Industry (Associação Geral dos Administradores, Gestores e Promotores de Jogos de Fortuna e Azar de Macau - AGAGPJM). This association congregates most of the previous STDM and current SJM associated enterprises, and follows Macau’s associative pattern. Although this association is at its very beginning, it has already participated in the drafting of the new gambling law as a collective and voluntary organization with direct interests in the sector.

This association has no rules referring explicitly to ‘ethnicity’ as a membership requirement, however current members have to understand and embrace the ‘one country, two systems’ guideline and accept the PRC as the legitimate Chinese state. The formation of this multi-front coalition of local junket operators and tour promoters clearly shows that the association is still the most powerful vehicle to pursue specific interests and political influence. However, the creation of this association also indicates a departure from the previous situation in the gambling industry, in which the local government dealt with only one company. Because of the monopolistic structure of the sector, it looked like that there was no need to represent gaming-related economic interests outside the STDM until the concession of the new licenses.

Despite the diversification of Macau’s gaming sector, the ‘insider company’ is in a relatively comfortable position, in terms of the networks it possesses and in terms of social and political influence in Macau. The SJM remains an MCA collective member, and interestingly, the chairwoman of the recently-established association is Stanley Ho’s second wife, Winnie. The connections between the SJM and

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73 Hoje Macau, 6 February 2004.
74 It distinguishes founding members from individual and collective members and it has a set of general principles. These include, following the ‘one country, two systems’ guideline, uniting links among administrative personnel, stimulating the development of the industry and facilitating the dialogue with the government and among gaming and tour operators.
75 Hoje Macau, 6 February 2004.
76 AGAGPJM Charter, Macau’s Official Gazette, April 21 2004.
triad groups seem also to be in order, despite the climate of violence felt in Macau in 1998/1999 during which there was a turf war among triad-connected VIP room operators, presumably battling for the control of these rooms after 1999. The situation is again ‘under control’. In May 2004, a Hong Kong magazine reported that several individuals connected to secret societies from Hong Kong, Taiwan, Macau and Japan gathered at a gala dinner in Macau’s Plaza Restaurant, counting more than 1,000 guests, including entertainers, financiers and local politicians, among them the brother of Macau’s Chief Executive, Stanley Ho’s second and fourth wives Winnie and Angela Ho, Ma Man Kei’s three sons, and David Chow.\textsuperscript{77} The friendly atmosphere among historically-rivalrous groups, and the mixing with local and regional public figures was indicative of a new gambling era dawning in Macau.\textsuperscript{78} Any connection to organized crime is still promptly dismissed by any of Macau’s key figures, at least in public. Even for long-established junket operators like David Chow, triad crime is not a problem anymore in Macau: ‘Those days are over. It’s not organised crime like the Russians or the Italians. I’d say when you’ve got triad members giving interviews about their activities to [international magazines], it’s disorganised crime.’\textsuperscript{79}

While the long-established junkets and casino entrepreneurs seem to be doing well under the new circumstances, for the new players it remains difficult to change the business and regulatory scenario if they do not count on an influential local business partner – legal or illegal. Without such relationships, they risk being excluded from directly taking part in, or influencing, the local governmental institutions and business associations. In practice, associations in Macau continue to be an overwhelmingly local (and Chinese) matter, and seen from this example, the gambling industry constitutes no exception. This is seen in the way the new gaming association combines the interested parties in overseeing that the local junket promotion system and other traditional practices in the Macau gambling business remain essentially unchanged under the new gambling regulations.

5.5. Conclusions

The organizational patterns of the Macau gambling industry have special characteristics, vis-à-vis other local industries, like the export-oriented sector based in

\textsuperscript{77} Hoje Macau 14 June 2004.
\textsuperscript{78} Hoje Macau 14 June 2004.
\textsuperscript{79} SCMP, 27 November 1999.
textiles and garments, as we shall see in the next chapter. In the present case, monopoly forms of business through government concession have largely shaped and determined the development of this industry into Macau’s most profitable economic sector. Even with the partial liberalization of the sector in 2001, the new regulatory regime can hardly be qualified as ‘liberal’ or ‘liberalized’. This is so because the terms of new licensing agreements do not differ much from the previous monopoly situation, at least in terms of the contractual obligations: the payment of annual premium and taxes to the government, and economic development obligations, in the form of diversification of services and creation of employment. The chief difference is that instead of one, there are three licenses (equalling a threefold collection of annual premiums and taxes) and the license owners can legally subcontract other companies to develop casinos and other entertainment facilities under the same license.

The role of the government is another crucial element in this industry, with differences in regulatory regimes before and after the transition. Before the transition, gambling served mainly to raise revenues and shift developmental responsibilities to Macau’s gambling company. After the transition, gambling still is the main source of government revenue but the government can now use gambling revenues to adopt a more active stance towards regulating not only the sector itself, but also the entire economy.

In order to influence economic policy, the channels of access to the state have also special characteristics in the gambling industry. There was no need to create associations in this sector because of its monopoly structure. The monopolist company STDM was ‘self-sufficient’ because it had direct access to the government, through the monopoly rights and obligations. It developed free from government meddling in the running of the business, but it was also dependent on other groups to assure the stability of the industry, like the local secret societies. For these groups, the STDM served not as a channel of access to the state proper, but as an ‘insurance’ against the government’s interference in the criminal economy. After the transition, with fresh competition in the gambling businesses, the local gambling-related economic interest are finally moving into the traditional associative pattern to have their interests preserved in the new regulatory regime and vis-à-vis newcomers.

State-Business Relations in the gambling sector before the transition: the government, the STDM and the secret societies

The monopoly contract between the STDM and the Portuguese colonial government in 1962 initiated a mutual-dependency pattern between the local government and the gaming monopolist. Gambling activities had, of course, a much longer history in Macau, yet the significance of the transition to the second monopoly contract is largely explained by the political context of the time. The concrete economic and
political circumstances of Macau prior to 1962 created a situation in which a politically weak administration had few means to raise its public budget and few means to control, or even forbid, gambling activities and all its transversal businesses in Macau. The second monopoly contract thus initiated a new era in Macau: a still-colonial government became vitally dependent on the STDM group to develop the territory, to finance itself, and later to prepare Macau for its political devolution to the PRC.

The relations between the local authorities and the monopoly company unfolded around three areas: the negotiation of the terms of the monopoly contract, the collection of revenues and the allocation of land. Land is scarce in Macau and an essential asset for any casino developer: in this sense, the monopoly situation gave the STDM a clear edge in acquiring and developing land, contributing to the STDM’s leading position in Macau’s gambling sector. Since the 1960s, all changes in Macau’s physical landscape and in its infrastructure have originated from the STDM Corporation (now turned into SJM). This company alone built virtually all Macau’s modern infrastructure, and financed the development of land reclamation projects. Under the leadership of Stanley Ho, the STDM enjoyed special privileges in acquiring and using land prior to the transition, privileges which are very unlikely to be removed by the current administration. The saying that ‘Stanley Ho made Macau as much as Macau made him’ is not an exaggeration, because together with the local government, he practically ‘owns’ Macau. In the last forty years, Stanley Ho and his STDM turned Macau into a round-the-year and a round-the-clock gambling destination. He also fulfilled all contract obligations towards the colonial government, which for four decades managed to squeeze fat revenues from the gambling concession in exchange for the STDM’s total and exclusive control over gambling activities and sub-activities, including transportation and infrastructure development, tourism, and cultural activities and institutions. But this case has also shown that, despite ever-growing revenues, the local government’s financial dependency on one company weakened its capacity to intervene in the running of the industry.

State-Business relations after the transition:
the MSAR government, the ‘old’ and ‘new’ gambling concessionaires

Before the transition, the local government had virtually survived on gambling revenues. There was a clear pattern of financial dependency on the gambling industry which the new MSAR government has fully inherited. However, in contrast to the Portuguese administration, the post-handover government has openly supported the gaming industry and actively promoted its expansion and regulation, not sparing words in highlighting its importance for the local economy and society. The
government’s ‘excuse’ for raking so much revenue through gambling concessions is to make sure that the changes in the sector do not affect negatively Macau’s human resources and social standards. The core of the government’s economic strategy is to gear Macau towards the local diversification of tourism and services, in line with goals of deeper social and economic integration with the Chinese mainland. Sustained by an increasing demand for tourism and entertainment services by the Mainland’s _nouveau riche_, Macau’s gambling sector effectively (and financially) helps the government to achieve those goals.

The decision to grant three licenses, instead of one, to explore gaming activities in the territory has irreversibly changed the terms of competition in the gaming industry. Yet, Macau’s current government has left the organization of the sector in the hands of local people by accepting political influence of local gambling entrepreneurs in legislative and executive bodies – while extracting fresh revenues from the new licenses. The fact that new investors have been allowed into the territory will undoubtedly raise Macau’s government’s cash flow, but the terms of governmental intervention in the gambling sector still need Stanley Ho’s approval. This means that the capacity of the MSAR government to intervene in the gambling sector is not as strong as it might seem at first. Even now, the local government depends much on the position of Stanley Ho and his associates in order to make policy or to legislate in this area. Taking an example discussed in the previous sections, the proposed law on credit concession in casinos has not really regulated the sector, but rather spelled out the legal terms for what has been practiced by the STDM in the last forty years. Thus, the role of the government cannot be characterized as interventionist, but rather complementary to the interests of the major gambling group.

For the previous monopoly owner, all the regulatory changes could be understood as a necessary transformation so that all can, in essence, remain the same. That is, the government continues to supports itself through ever-increasing gaming revenues, and the major local gaming group maintains the leading position, especially in the level of political and social influence its members possess, both in Macau and in China, and in parallel, criminal economies. For example, Stanley Ho’s ability to wear different hats is similar to Ho Yin’s (see Chapter 2 and 3). His political connections with the Portuguese colonial government in Macau and with the PRC have well served his business goals and have been instrumental in his rise as a worldwide-known casino mogul and billionaire who re-created Macau into a place where it is worthwhile to invest. Stanley Ho has for a long time cultivated relations with the PRC and although he no longer counts on Henry Fok, long-time business associate and sub-concessionaire David Chow has managed to be directly elected to Macau’s Legislative Assembly, in a clear representation of the SJM’s interests in the local government. It seems thus logical to conclude that Stanley Ho and his SJM group still dictate the rules of the game, and that much of the process
leading to the concession of new licenses, or leading to the adoption of new gambling laws and regulations, has unfolded under his or his associates’ close scrutiny. Stanley Ho faces heavy competition in the business, but the newcomers are unlikely to get the ‘best spots’, because those have already been taken.

With new players and new rules, the SJM’s strategy consists in forming fresh business alliances, while securing the support of the traditional, local gambling-related entrepreneurs. Two out of the three concessions are subdividing into an expanding number of casino operators, giving way to other casino and casino-related entrepreneurs – both local and from abroad, both winners and losers of the competition – to enter the game through a side door. This is a new, ‘globalizing’ trend in the Macau gambling business, which the SJM has promptly embraced with its business deal with the American company MGM-Mirage. However, in the monopoly period, the STDM had grown from several subcontracting arrangements with flexible, small-sized local and regional businesses, dealing with a variety of activities ranging from tour agencies and bus and coach-tour companies to junket promotion, credit facilitation and VIP-room operating systems. With the transformation of the STDM in the SJM, the corporative *modus operandi* has been maintained. And this is the crucial characteristic of the SJM group – which arguably differentiates it from the other consortia: the wide range of connections and business networks it possesses, from organized crime to the Mainland’s central government. This leads us to the final conclusion of this chapter, which is the predominant position of this gambling corporation has had at least as much weight as the government in the restructuring of this sector. The SJM’s position has not been endangered by foreign competition, quite to the contrary. The new gambling environment allows it to consolidate its economic position and channels of political influence, it allows the SJM to diversify in terms of business partnerships, and it has released it from its burden of exclusive financier of the local government.