



Politics, public opinion and **China** - factors shaping Taiwan's casino policy

While most countries across Asia pose some degree of political risk, Taiwan is perhaps one of the more complex jurisdictions due to its relations with neighbouring China.



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Domestic politics, public opinion and cross-strait relations may all play a part as the island debates moves to allow a casino industry on its outlying islands. Bill Bryson, a senior advisor at Global Market Advisors, outlines some of the risks and mitigating factors.

a) Possible change of ruling party: Taiwan is a full-fledged democracy, in which all elected government positions, including the President, are directly elected by the people of Taiwan. The current ruling party, the Chinese Nationalist Party ("KMT"), is generally favorably disposed towards creating a casino gaming industry and has a clear majority in the Taiwan legislature. The current opposition party, the Democratic Progressive Party ("DPP"), is generally not favorably disposed towards casino gaming, but is less concerned about the establishment of casino gaming on Kinmen and Matsu since it does not consider those two islands, which sit just off the coast of Fujian Province within sight of the Chinese mainland, to be part of Taiwan.

Given the above line-up of political parties, it is theoretically possible for a single election to result in a fundamental change

of the government's gaming policy. This aspect of political risk has been reduced in recent years, however, as the island of Penghu (whose Magistrate is a member of the DPP) has expressed interest in holding a casino gaming referendum and there has been no major political opposition to the current draft of the casino gaming law that has been submitted to the legislature. Both parties recognize that casino gaming could provide employment and other economic benefits for both the offshore islands and Taiwan generally, so opposition to casino gaming is fairly muted at the political level.

b) Public Opinion: Given the direct democracy that exists in Taiwan, the growing political activism of Taiwan's younger generation, a vocal religious community (Buddhists and Presbyterians being the most influential), an unrestrained press, and the very high turnout rate for virtually all elections (85 – 90 percent for presidential and legislative elections) public opinion is extremely important in the formation of government policies in Taiwan. It can also be important in the determination of whether or not established government policies continue to be implemented.



The practical expression of the importance of public opinion is that laws passed by the legislature in Taiwan often have a provision which permits the government to alter the policy expressed in the law based on social conditions in Taiwan. An example of this is Article 24-1 of the proposed Tourism Casino Administration Act, which provides that a gaming license can be revoked if “there is any specific situation which adversely affects the social order, public security, education and other material public interests, and not canceling the establishment permit and the operation license will impede the maintenance of material public interests,” even if the casino is not responsible for the “specific situation.” In other words, if public opinion turns against the existence of casino gaming on Taiwan’s outlying islands, the government can shut down the industry.

This element of political risk is somewhat mitigated by the diversity of opinions in Taiwan. Reaching consensus on many issues among disparate interest groups – religious groups, business groups, academics, students, etc. – is often difficult and government policies therefore are somewhat resistant to short spikes in public opinion. In general, issues related to citizens’ quality of life and safety – e.g., food safety – generally result in a quick government response, whereas issues that are less important to quality of life and safety – e.g., casino gaming on offshore islands – tend not to be as important to the general public. That being said, a single incident can set off a furor in the press and public opinion, which can result in quick (and often ill-considered) changes in government policies.

2. With respect to cross-Strait relations, the main political risk arises from the increasing integration of the Chinese economy with the Taiwan economy, which gives China an increasing ability to influence (or attempt to influence) Taiwan government policies. Examples of this are legion, the most recent being the declaration by the

head of the mainland Chinese Taiwan Affairs Office that if either Kinmen or Matsu allowed the establishment of casino-based integrated resorts, mainland China would cut off the “three mini-links,” a reference to the direct transportation and communications links between those islands and mainland China. These links are the main avenue for visits by mainland Chinese tourists, on whom the tourism industries on both islands are largely dependent. The economic threat is real, even if it is not yet obvious that this represents a “bottom line” for the TAO.

This influence extends well beyond the gaming realm; mainland China often responds to political moves by Taiwan’s local and national governments with what effectively amounts to economic sanctions. A famous example occurred a few years ago when the government of Kaohsiung (whose mayor is a member of the DPP, a pro-independence party) invited the Dalai Lama, who is reviled as a “splittist” by the Beijing government, to speak to Buddhists in Kaohsiung. That invitation, plus the screening of a film about a Uighur separatist leader at the Taiwan Golden Horse Film Festival (Taiwan equivalent to the Golden Globes or Academy Awards), resulted in a sudden months-long absence of mainland Chinese tourists in Kaohsiung City. The ostensible reason was that it was not “convenient” for the mainland tour groups to come to Kaohsiung, but the message was clear.

A mitigating factor for this element of political risk is that mainland interventions are often met with a visceral anti-China reaction from both the public and government officials. Prior efforts by mainland China to influence Taiwan’s presidential elections have resulted in the election of the precise candidates that the Mainland least wanted to see elected, and the most recent comments by the TAO official resulted in a determination by both the KMT and DPP to prioritize the casino gaming bill and promote referendums on the two islands that have not yet held referendums. Taiwan and the Taiwanese react very badly when China misbehaves, or tries to treat Taiwan as though it is a province or vassal state.

All countries can be influenced to some degree by the actions of other countries, and China certainly has varying levels of influence over many of the countries in Asia.

However, the willingness of China to be assertive in its relationship with Taiwan, when combined with the degree to which the Chinese and Taiwanese economies have become integrated, as well as the degree to which Taiwan’s economy is increasingly dependent on mainland China, elevates this political risk to a level which is not typical of other countries, whether in Asia or elsewhere. Nowhere is this influence more likely to be felt than in the gaming space, in which China could literally determine the size of the customer market for casinos in the offshore islands of Kinmen and Matsu.

***About the author**

William (Bill) Bryson is a Senior Advisor at Global Market Advisors. Bill has practiced law in New York and Taipei for over 25 years, and is recognized as a leading lawyer in the fields of gaming, hospitality, real estate development, mergers and acquisitions and financial transactions. Bill has extensive experience in the representation of local and foreign hospitality industry clients in their operations and investments, both in Taiwan and throughout Asia. Bill has represented casino gaming companies, gaming machine manufacturers and consultants to the industry in Taiwan and 38 other jurisdictions on a variety of issues, including Corporate Structuring; Taxes; Employment Issues; Marketing Restrictions; and Internet/Interactive Gaming.