The Moscow Times
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Siberian Vegas Faces Challenges

By The Moscow Times

March 14, 2011



In the not-too-distant future, scores of beautiful people will jet off to the snow-capped Altai republic for a night at a smoke-filled craps table, dinner at a celebrity-chef brasserie and a stripper-studded bachelor party. There will be neon-lit casinos and palatial hotels, men in tuxedos and blondes in miniskirts. When guests arrive at penthouse suites with marble bathtubs, there may be a chocolate on their pillows with the following message in Cyrillic-style script: Siberia — the home of sexy.

There's one thing holding up this fantasy: electricity. That, and roads, pipelines and communications networks. All this is coming along, though. A four-man crew (Boris, Kolya, Sasha No. 1 and Sasha No. 2) is currently installing an electric grid intended to prop up this den of iniquity. Soon, Kolya assures, construction should begin on the first of several five-star resorts. "It's crazy," he says, "but they say it's going to happen." Kolya points to a sloping hill covered in snow. "That's where the first casino is going to go," he says. He points to another: "That's where the second is going." He pauses to smoke a cigarette. "They say this will be the Las Vegas of Siberia," he says. "Better to go to the Las Vegas of Las Vegas."

Vegas East — officially dubbed "Siberian Coin" — is the brainchild of the Russian government. In 2008, at Prime Minister Vladimir Putin's behest, Russia banned all gambling except in four far-flung regions. Casinos are open in three: Kaliningrad, between Lithuania and Poland; Azov City, near the Black Sea; and the Primorye region, in the Far East. All have underperformed because of a lack of infrastructure.

Now, Altai, the most remote region, near the China and Kazakhstan border, is emerging — and the government hopes that it will recreate jobs and generate ancillary business. Michael Boettcher, president of Storm International, which owned and managed 25 casinos and slot halls throughout Moscow and Nizhny Novgorod before they were forced to close, estimates that the anti-gambling legislation cost half a million people their jobs.

Boettcher believes that it will cost $50 billion to develop the Altai republic into a gaming mecca. Russian officials think they can do it for much less — about $1 billion, which they hope will pay for 15 casinos and 30 hotels that can accommodate up to 3,000 visitors. Regardless, investment is trickling in — slowly. RIA-Novosti has reported that the Russian development company Alti is spending $14.4 million on two 100-room hotels.

In August, the company Hit, which owns casinos in Slovenia, announced that it would "cooperate." And Mikhail Shchetinin, the Altai republic's economic development minister, told Moscow-based news site Business New Europe that Hong Kong casino tycoon Albert Yeung is looking to invest. (Neither Yeung nor Shchetinin would comment for this article.) With the first hotel scheduled to open as early as 2012, excitement is escalating. Says Anatoly Golovachyov, the manager of the nearby Kaimskoye tourism center: "Soon, the mafia and money and prostitutes will show up!"

The problem is how they'll get there. Siberian Coin is a four-hour drive from Barnaul, a city where winters last five months and the best restaurant in town, Velvet, is known for its beef medallions. Barnaul's hotels teem with men in leather jackets alongside girls who smoke Vogue cigarettes and wait for their phones to ring. Its only casino, Lemon Mega Chance, is illegal. Popular professions include rare-bird smuggler, cab driver and hooker.

The drive from Barnaul to Siberian Coin passes through expanses of snowdrifts dotted with birch trees, a museum dedicated to earth-orbiting cosmonaut German Titov, the backwater of Biisk, packs of wild dogs and several Uzbek cafes. The last five miles to Coin involve an icy, bumpy, one-lane road that winds through battered villages. Local authorities see this as a plus. "When people come here, from Moscow or wherever, it won't just be to gamble. They'll want to be in the forest, in the mountains — with the stag."

Siberian Coin fits into a Russian tradition of attempting big things that other people believe impossible. Some of these projects — such as the Trans-Siberian Railroad and the Volga Hydroelectric Station — have come to fruition. Others have not. The Soviets' effort, in 1971, to reverse the flow of several rivers by detonating underground nuclear bombs was eventually scrapped.

Like its predecessors, Siberian Coin stems from an opportunistic moralizing campaign — with one contradictory twist: Creating gambling zones is an attempt to capitalize on widespread disapproval of gambling. "They thought they would develop poor areas at the same time they were moralizing," says Vadim Novikov, a senior research fellow at Moscow's

Academy of National Economy. "It would make sense to choose Moscow or Sochi, but they wanted to develop poor regions that are, almost by definition, not suitable for such activities."

Rashid Taimasov, chief executive officer of Royal Time Group, owner of Oracle Casino in Azov City, says he won't invest in Coin until the "infrastructure problem" is solved. The poor performance of casinos in the gambling zones has also sapped state coffers of tax revenues, says Lyubov Loginova, chief executive of the Moscow-based casino equipment producer Alsart Group.

This reality is forcing some to second-guess the project. "To say you're going to build Vegas in Altai — or in Spain or Hungary or France — I tell them every single time, 'You're insane,'" Boettcher says. But the government maintains a devoutly pro-Coin attitude. Yelena Vladimirova, assistant to the Altai republic's Shchetinin, says the "official position" is that Siberian Coin will be built — within two years, under budget. Shchetinin, alas, is unavailable to talk about all the good things taking place. He wants to, Vladimirova insists, but he is very busy. "This is how the economic development happens," she says.

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