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Crimea Seeks to Become Next Las Vegas

By Delphine d'Amora

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Crimea's plans to become the world's next Las Vegas have received the blessing of President Vladimir Putin, who presented a bill to the State Duma that could transform the formerly Ukrainian peninsula into Russia's fifth official gambling zone.

Crimean authorities proposed the idea originally and are convinced of its commercial prospects. A Crimean gambling center "stands a good chance of becoming a competitor to such sophisticated territories as Macau, Monaco and Las Vegas," Crimean Deputy Prime Minister Rustam Temirgaliev said Monday, PRIME reported.

Separate plans to create a special economic zone on the peninsula will help raise Crimea to the level of these ritzy competitors, Temirgaliev said. Prime Minister Dmitry Medvedev announced earlier this month that Russia will establish a special economic zone on the annexed peninsula, offering special tax breaks and trimming red tape in an effort to attract investors.

There are two possible models for the gambling zone, Temirgaliev said: either they will create a special gambling city in the popular resort area of Yuzhny Bereg, or they will allow "specially prepared tourist complexes" across Russia to run their own casinos.

According to Putin's bill, it is up to the Crimean authorities to determine the borders of the zone. They will also choose which of the above models to implement, said Viktor Zvagelsky, deputy head of the State Duma's Economic Policy Committee.

The gambling zone, like the special economic zone, is intended to lift Crimea "at least to the average Russian level, socially and fiscally," without requiring additional state funds, Zvagelsky said.

A gambling zone could make a major difference to the region's budget, especially given the pivotal role that tourism plays in the Crimean economy, he added. Azov-City, the single functioning gambling zone in Russia, brought in 140 million rubles in taxes last year ($3.9 million), of which 120 million came from the zone's three casinos. "So you can understand how profitable this is for a region's budget," Zvagelsky said.

In a statement last week, the Regional Development Ministry estimated that creating an integrated entertainment-tourism cluster in Crimea would bring an additional 600,000 tourists a year to Crimea and Sevastopol and add about 1 billion rubles ($28 million) to state coffers. Prior to the Russian annexation, the peninsula hosted about 3 million vacationers yearly.

But while acknowledging the long-term benefits of the plan, the ministry questioned its short-term feasibility.

"Creating a gaming zone will require time and large investments. Revenues for the regions' budgets can be expected in no earlier than five to seven years," the statement said.

Instead of creating a separate zone, the ministry suggested making a legal exception to permit five-star hotels in Crimea and Sevastopol to open gambling facilities. In this case, no major investments is needed and the republic would "immediately receive additional taxes in the form of payments for licensing, a tax on gambling activity and other related taxes," the statement said.

Deputy Prime Minister Dmitry Kozak dismissed this option last week, insisting that the gambling zone would have to be founded in accordance with existing Russian laws that limit gambling to designated areas.

"We definitely will not turn the entire territory of Crimea [into a gambling zone], we will not return to those rules that we had when slot machines stood on every corner," Kozak said, RIA Novosti reported.

Gambling was outlawed across Russia in 2009 with the exception of four designated zones, established at the same time as the ban. But as of yet only Azov-City, on the border of the Krasnodar and Rostov regions of southern Russia, has emerged as a gambling center, while planned zones in the Kaliningrad region, Primorye region and the republic of Altai are still under construction nearly five years later.

In a letter to Kozak last week, the Finance Ministry pointed to the failure of these zones as a reason not to pursue the same course in Crimea, Kommersant reported, citing a copy of the letter.

Under Russian law, gambling zones cannot be built on government funds, and given investors' lack of interest in the four existing gambling zones, establishing another one in Crimea is unlikely to help the new republic's economy, the letter said.

Crimea, and for that matter Sochi, which has also been discussed as a potential gambling zone, are fundamentally quite different from the existing ones, said Vadim Prasov, vice president of the Federation of Restauranteurs and Hoteliers.

While the earlier zones were essentially built from scratch, Crimea and Sochi both "already have a certain flow of tourists, a certain infrastructure. If you add the casino as well, this simply adds an additional influx of tourists," he said.

There will not be any problem attracting investment, even if Western investors avoid the project for political reasons, Duma Deputy Zvagelsky said. "We have quite a lot of our own investors who will happily invest in Crimea, much more happily than they would in the other gambling zones that we have today," he added.

Despite international tensions, both Western and Russian investors will be drawn to the project, Prasov said, as the potential revenues from the special economic and gambling zones are simply too good to pass up.

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