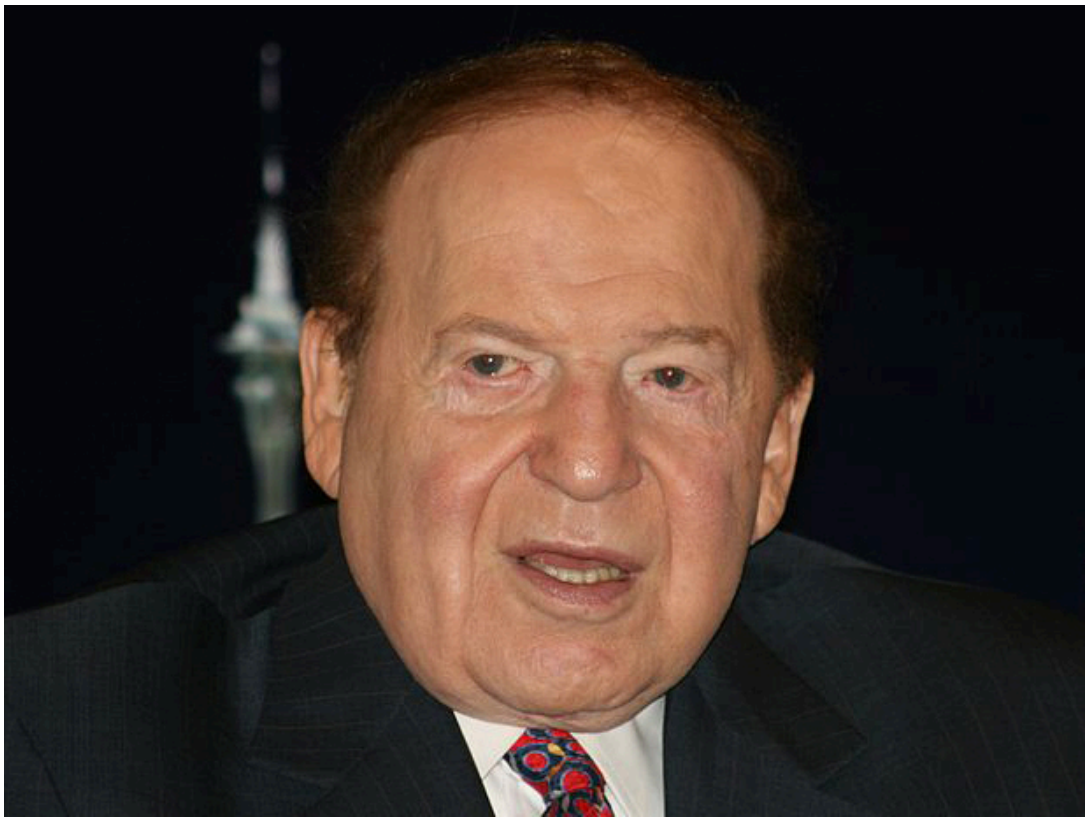
Topic: Civil Society, Domestic Politics, Elections, Ethics, and The Presidency
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The GOP, China and Sheldon Adelson

August 31, 2012 | By: Robert Keatley

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Mitt Romney promises that as president he would be tougher on China than Barack Obama, the man he hopes to replace in the White House. He vows that he wouldn't coddle Beijing's communist leaders and would demand they cancel their expanding list of trade restrictions, give the currency an honest value and stop abusing human rights. He also promises to expand the U.S. Pacific fleet to discourage any expansionist ideas they may hold.

But when it comes to campaign cash that flows, indirectly at least, partly from China with perhaps illegal origins, he seems bent on taking all he can get, even though that money supply depends largely upon the continued goodwill of those who command the Chinese Communist Party.

The issue centers on the relationship of Romney and the Republican Party with Sheldon Adelson, the casino multibillionaire who has pledged up to a startling $100 million to defeat Obama and put in office a president he expects to be much friendlier to Israel, one of his lifelong concerns. The main source of the Adelson billions has

become Macau, a city on the southern coast near Hong Kong that is the only Chinese territory where its wealthy citizens can gamble legally—and where many, it is commonly believed, find its thirty-five casinos convenient for laundering cash acquired by less-than-honest means. The Adelson political contributions come as he is being investigated by the state of Nevada, the U.S. Department of Justice, and the Securities and Exchange Commission for possible bribery of mainland and Macau officials, which would be in violation of the Foreign Corrupt Practices Act. (He denies all allegations strenuously.)

Sheldon Adelson controls four of Macau's biggest and most spectacular casinos, and they have become the main profit center of the traded companies he heads—the Las Vegas Sands Corp. and its listed subsidiary, Sands China Ltd. *Forbes* earlier this year estimated his net worth at $24.9 billion, seventh highest in the United States and fourteenth in the world. The Adelson fortune did not originate with gambling—his first big venture was helping found Comdex, the annual computer-industry show held in Las Vegas, which he cashed out at great profit. By then, he was part owner of Las Vegas's aging Sands Hotel and Casino; the $862 million Comdex sale let him tear it down and replace it with a lavish casino and resort hotel he titled The Venetian, inspired by a honeymoon trip to Venice with his second wife. It was the first Las Vegas casino built as a destination center, not just a comparatively bare-bones place for losing money. Rivals derided this decision at the time, but The Venetian proved a huge success.

Then Adelson discovered Macau.

A bit of history is relevant. Macau (or Macao) was a Portuguese trading outpost from the 1500s and had been a commercial gambling center long before China regained sovereignty in 1999. But its casinos, dominated by one family, were considered somewhat sleazy ventures marred by prostitution, money laundering, corruption and assorted other ills (including Chinese criminal gangs called triads). These casinos were relatively small-time operations that relied mostly on punters from nearby Hong Kong; few mainland citizens were allowed to visit Macau after the communists came to power in 1949.

But in 2002, with Macau as a special administrative region of China, that all changed. Its government, short of cash and with Beijing's approval, ended the gambling monopoly and invited outsiders to upgrade its gaming facilities and image—and provide more tax revenue. Adelson's company, along with such others as MGM Mirage and Wynn Resorts, leaped at the chance. They saw increasingly affluent China as their real market and hoped to lure to their tables many from the richest portion of that nation's 1.3 billion people. And they did. Last year, there were some

sixteen million mainland visits to Macau; the gambling turnover was more than five times that of Las Vegas and is the world's largest.

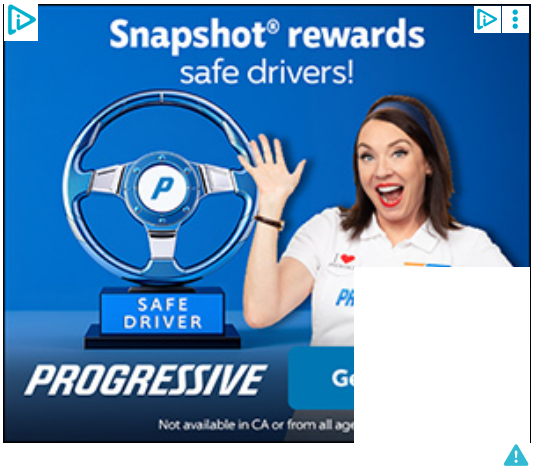
The first Adelson venture in Macau was an expanded version of his Las Vegas Venetian. Its huge main hall offers assorted games for the commonplace gambler, while high-stakes VIP rooms cater to the truly wealthy. On a floor high above the main hall, singing Chinese and other gondoliers give patrons leisurely cruises along three indoor canals lined with faux-Venetian shop fronts that offer the globe's leading luxury brands. Costumed sopranos occasionally fling open upper-floor windows and belt out a song or two under a fake blue sky. Macau had never seen the like, but the newest Adelson complex—the $4.4 billion Sands Cotai Central, which opened in April—is even grander. It offers 540 gaming tables, forty VIP rooms, 5800 hotel rooms managed by Conrad, Holiday Inn and Sheraton, plus twenty restaurants—all protected by a nearly three-ton gold and bronze statue of the "God of Fortune."

But it has not been an entirely smooth ride for either Sands China or Adelson. He has faced two main problems.

The first is that the sometimes-abrasive casino magnate has had uneven relations with Macau and Beijing officials, and he can't always get speedy approval of all his development plans—such as raising quick cash by turning some property into costly apartments rather than casino resorts and malls. The details are complex, but investigations by such organizations as ProPublica, PBS's *Frontline* and *The Wall Street Journal*—plus a lawsuit against Adelson by a former senior Sands executive—have turned up documents that suggest he was willing to grease official wheels with cash to get his way; one document talked about the need to spread $300 million around Beijing to solve his problems. There are also claims that he approved using prostitution and unsavory mainland organizers of gambling junkets to entice customers.

Adelson stoutly denies these and other allegations, and nothing has been proved. After Macau police arrested more than one hundred prostitutes in one of his casinos, for example, Adelson said this happened only because he told the cops where to look. He dismisses all claims of illegality outlined in the lawsuit, and it's not clear if official investigations into his operations will lead to charges.

The other problem, even more beyond Adelson's control, is Beijing's ambivalent attitude toward Macau and big-time gambling. It's no secret that the biggest punters include corrupt mainland officials and the executives of state-controlled and private companies who pay the bribes. By getting credit in advance from junket organizers, such gamblers can arrange to suffer nominal losses in VIP rooms, only to have a portion show up in bank accounts offshore. The former Sands official has alleged that some $3 billion a month leaves China this way via Macau.



All this violates assorted Chinese government and Communist Party regulations, but those who are supposed to enforce the rules can be friends and colleagues of those who break them. So no clear policies have evolved. But there have been hints of what could happen if the new leaders who will assume power in Beijing during the coming months decide to crack down. For one thing, they could limit the visas mainlanders need to enter Macau, thus cutting the customer base. They did this in 2008 and kept restrictions in place for a year; the growth of gaming revenues slowed sharply, and stock markets grew wary about casino company shares. In June, rumors spread that neighboring Guangdong Province would allow its citizens only three visits per year rather than four, and the market again trembled. Nothing came of it, however, but if future communist leaders decide to get serious about fighting corruption—rather than exploiting it—the results could be hard on Adelson and other casino magnates. Beijing faces rising resentment about corruption, nepotism and other practices, but it's an open question whether government and party leaders will respond

All this would suggest the upright, and to some uptight, Mitt Romney might have second thoughts about welcoming the possibly tainted Adelson cash so eagerly. That doesn't seem to be the case. Sheldon Adelson was a prominent figure during the recent Romney visit to Israel, and he hosted vice-presidential candidate Paul Ryan's first money-raising event at his Las Vegas Venetian. The event was closed to the press, perhaps because Ryan, who stresses family values, didn't want to be seen collecting cash in a casino.

The last GOP presidential candidate is less sanguine. Speaking on the PBS *Newshour*, Senator John McCain noted that much of the Adelson fortune comes from Macau. "Maybe, in a roundabout way, foreign money is coming into an American political campaign," he said.

Robert Keatley is a former editor of The Asian Wall Street Journal *and the* South China Morning Post*, both of Hong Kong.*

Image: Bectrigger