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Foreign Exemptions in Tobacco, Alcohol, and Gambling Regulations: A Topographic Study of East and Southeast Asia

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Abstract

This paper examines country regulations against three "sins" that cause personal and social harm – tobacco, alcohol, and gambling. A generalized literature review shows the levels of personal and social harm resulted from each sin, and whether policies were implemented with foreign exemption (whether foreigners were exempted from regulations that apply to nationals). Data is compiled of fourteen countries in East and Southeast Asia (spanning seventeen geographic jurisdictions ("jurisdictions") due to Macau and Hong Kong's status as special administrative jurisdictions of China and Taiwan's status as a state under Chinese jurisdiction), resulting in a top-down, topographical study. Results show that for the seventeen geographies studied, there are no foreign exemptions in alcohol and tobacco regulations. Alcohol consumption legality can be perfectly predicted by the major religion of the region – if the region is majority Muslim, alcohol will not be legal and vice versa (tight regulation). For gambling, a Muslim-majority country would limit casino access to locals, but foreign exemptions are not exclusively implemented by Muslim-majority countries (semi-tight regulation). For tobacco, given that it is fully legal for all geographies, there are no grounds for foreign exemption (loose regulation).

Keywords

foreign exemption, regulation, policy, casino, gambling, tobacco, alcohol, personal harm, social harm

Disciplines

Business Law, Public Responsibility, and Ethics | International Business | Political Economy | Public Policy | Social Policy | Social Welfare

FOREIGN EXEMPTIONS IN TOBACCO, ALCOHOL, AND GAMBLING REGULATION:

A TOPOGRAPHIC STUDY OF EAST AND SOUTHEAST ASIA

By

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ABSTRACT

This paper examines country regulations against three "sins" that cause personal and social harm – tobacco, alcohol, and gambling. A generalized literature review shows the levels of personal and social harm resulted from each sin, and whether policies were implemented with foreign exemption (whether foreigners were exempted from regulations that apply to nationals). Data is compiled of fourteen countries in East and Southeast Asia (spanning seventeen geographic jurisdictions ("jurisdictions") due to Macau and Hong Kong's status as special administrative jurisdictions of China and Taiwan's status as a state under Chinese jurisdiction), resulting in a top-down, topographical study. Results show that for the seventeen geographies studied, there are no foreign exemptions in alcohol and tobacco regulations. Alcohol consumption legality can be perfectly predicted by the major religion of the region – if the region is majority Muslim, alcohol will not be legal and vice versa (tight regulation). For gambling, a Muslim-majority country would limit casino access to locals, but foreign exemptions are not exclusively implemented by Muslim-majority countries (semi-tight regulation). For tobacco, given that it is fully legal for all geographies, there are no grounds for foreign exemption (loose regulation).

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1. INTRODUCTION

1.1 Motivation and Purpose

Tobacco, alcohol, and gambling are three major "sins" that cause personal and social harm**.** There has been debate over the policies that should be adopted against these consumption industries that are considered dangerous to the person and society. For example, Adams (2007) discussed the moral risks that come with funding support from tobacco, alcohol, gambling, and other harmful consumption industries. In Asia, countries adopt differing policies, which is especially prevalent with regard to foreign exemption. Foreign exemption is defined here as whether foreigners are exempted from regulations that apply to citizens, for example less restriction for foreigners on casino entry.

There is a gap in the current literature regarding alcohol, tobacco, and gambling at the aggregate level. Literature either (1) examines each sin separately in a generalized fashion without accounting for country differences, or (2) investigates at the country level without accounting for common factors among the three sins as driving forces. This study aims to breach the gap, provide a high-level understanding of the landscape, and motivate holistic policy decisions with a bird's-eye view of the similarities and idiosyncrasies. The focus will be on what drives foreign exemption.

Foreign exemption is an intriguing area of study because it is used by country leaders to balance between economic benefit (e.g. revenue and employment) and personal or social harm towards citizens. Current research on foreign exemption is centered around its effects (P.B.B., Jr. (1914) and Howland (2012) discuss the extraterritorial effects of exemption laws; Garbarino (2013) and Kamdar (2015) discuss tax design implications of differing tax treatment) but not the factors that drive the implementation decision. Therefore, this study aims to uncover the considerations behind foreign exemption policies.

1.2 Target Audience and Significance

The target audience for this study is academics, policymakers, and business-owners. Firstly, this study will expand upon academic research in the areas of legal studies and public policy, as well as international politics and multinational management.

Secondly, policymakers will benefit from the results of this study. Despite the differences between them, countries in East and Southeast Asia are known to learn from each other when it comes to regulation. For example, Japan's planned regulation on locals by charging an entrance fee has been confirmed by regulators to be a nod to Singapore (Tan, 2019). Therefore, a study that provides a big picture overview of Asian countries would be relevant for policymakers. The caveats involved in each would also contribute to decision-making.

Thirdly, the findings of this study will be useful for business owners. Take the example of casino operators: in the casino industry, most of the income comes from foreigners while locals are either taxed or forbidden from entering the casinos. Given this unique market structure, geographical expansion is always relevant for the casino business. Should an incumbent operator in another country be deciding where to expand next, the decision should factor in whether there is legal room in its target countries for casino permits, and whether entry regulations would allow a sizeable consumer market. For example, the market in Malaysia is limited only to non-Muslims, which is only approximately 30% of the population. There is a government-imposed monopoly and no more licenses are expected to be issued in the future (Loo & Phua, 2016). Therefore, casino operators would not be able to expand to Malaysia. The issuance of permits and restrictions on entry is related to foreign exemption, which is a key point of this study.

2. LITERATURE REVIEW

To investigate country attitudes towards the three sins, a literature review was conducted on tobacco, alcohol, and gambling from two angles – personal and social harm, and foreign exemption. The literature shows that all three sins evidently cause personal and social harm, but the sins have differing levels of regulation. For the seventeen jurisdictions in East and Southeast Asia that were reviewed as part of this study, tobacco is the least regulated and has no foreign exemption; gambling is regulated to some extent and has foreign exemption (foreigners are exempted from levies applied to locals for some jurisdictions); alcohol is the most regulated and has no foreign exemption.

2.1 Foreign Exemption as a Policy

Foreign exemption is used by country leaders as a tool to balance between economic benefit (e.g. revenue and employment) and personal or social harm towards citizens.

As a policy, it can be applied in multiple forms. One example is tax laws. According to the United States Internal Revenue Service, non-resident aliens are only required to pay income tax on income that was earned or realized from a U.S. source and do not have to pay tax on foreign income. This contrasts with the treatment of U.S. citizens and resident aliens, who are taxed on all forms of income received regardless of foreign or domestic source. One potential reason behind this is to discourage immigration – once an immigrant becomes a resident alien (passing either the lawful permanent residence test or the substantial presence test) or a citizen, they will lose the benefits from foreign exemption.

2.1.1 Export Processing Zones (EPZs) as an example of regulatory tradeoff for economic benefit.

An EPZ is a specific type of foreign-trade zone (FTZ) that is usually set up in developing countries by their governments to promote industrial and commercial exports. EPZs are geographically or juridically bounded areas in which free trade is permitted provided all goods produced within the zone are exported. To attract foreign direct investment and use foreign knowledge and capital to create an export base (Johansson & Nilsson, 1997), EPZs commonly are more loosely regulated. For example, there is more flexibility with labor laws for firms in EPZs than in domestic markets (Madani, 1999). While governments do not implement foreign exemption in EPZs (regulations are loose in EPZs for both local suppliers and foreign corporations), an EPZ remains a good illustration of regulatory authorities relaxing regulations for economic gain.

One specific example is the EPZs in Belize, a Caribbean country on the northeastern coast of Central America bordered by Mexico, the Caribbean and Guatemala to the east and south. The country enacted the EPZ Act 1990, providing various incentives to investors and EPZ businesses, defined in the law as "a private party which has been granted a Certificate of Compliance… and which conducts a trade of business… primarily within the Export Processing Zones established under this Act". Regulatory relaxations for EPZ businesses and domestic suppliers include full import and export duty exemptions, exemptions from capital gains as well property and land tax, work permits at no cost for all professionals and technical staff, exemption from the Supplies Control Act and its regulations, and no licensing requirement for domestic suppliers who sell to EPZ business ("Belize: Offshore Legal and Tax Regimes", 2010).

2.1.2 Offshore banking as an example of foreign exemption as a tool in the tradeoff of regulatory standards for economic benefit.

Another form of foreign exemption can be observed in international capital markets, which illustrate the tradeoff made by regulators for economic benefit. Simply defined, foreign markets are markets with national money (legal tender of the host country) and national rules and regulations, but non-residents as borrowers or lenders. On the other hand, offshore markets trade in foreign money (currencies that are not the legal tender of the host jurisdiction) and often involve non-resident borrowers and lenders. Offshore banking centers are functional financial centers that act as central marketplaces for financial services, including lending and borrowing, money transmission, corporate finance, and foreign exchange and money market trading (Tschoegl, 1989).

Countries act to protect the interest of national citizens – since foreigners cannot vote in elections, there is less incentive to protect foreigners. Consequently, domestic regulators tend to be more concerned about consequences on domestic nationals over foreign nationals. As a result, regulators implement foreign exemptions such as reduced regulations for non-resident transactions or transactions involving foreign currencies. Such a loosening of regulatory standards is also a result of competition between financial centers. Prominent examples of foreign exemption in an offshore banking center include (1) the exemption of deposits from the implicit tax of required reserves (the amount of funds that a bank holds in reserve to ensure that it is able to meet liabilities in case of sudden withdrawals), and (2) income tax exemption of bank income from services to non-residents. From a regulatory perspective, the authorities take limited responsibility for the institutions in the offshore center concerning prudential supervision (Tschoegl, 1989). Prudential supervision, broadly defined, is government regulation and monitoring of the banking system to ensure its safety and soundness (Mishkin, 2000).

Domestic regulators are motivated to trade regulatory standards for economic gains. Tschoegl (1989) outlines four direct benefits of setting up offshore banking centers – employment, government revenues, lower expenditures, and human capital formation. First, offshore banking increases the absolute number of new jobs slightly. Second, governments receive revenue through taxes and license fees. Third, offshore banking generates less extensive expenditures than general bank operations. Lastly, an offshore banking center can contribute to human capital formation and generate positive externalities. While the benefits found in the study are slight, the costs are often slighter.

Foreign exemption in offshore banking serves as a good framework to understand the cost-benefit analysis and balancing act by regulators behind foreign exemptions and can be useful for the study of foreign exemptions in tobacco, gambling, and alcohol regulation.

2.2. Tobacco

2.2.1 Personal and social harm evident.

According to the US Department of Health and Human Services (2004), all forms of tobacco are addictive. Tobacco is one of the leading avoidable causes of death globally (Chow et al., 2017). As reported by the World Health Organization (WHO) in 2017, annual deaths caused by smoking will rise to 8 million globally by 2030 if current trends of tobacco use continue. Smoking is also associated with psychiatric disorders (Nehlin et al.,2013).

Abbrams (2018) suggested Alternative Nicotine Delivery Systems (ANDS) such as e-cigarettes as methods of harm reduction or harm minimization. A cross-sectional study by Chow et al. (2017) of 17 countries showed that tobacco policy implementation is poor, especially in middle-income and low-income countries. Comprehensive bans on advertising are not enforced, POS (point of sale) advertising was prevalent, minimum standards in cigarette pack labeling are not met, and cheap and single cigarettes are sold.

2.2.2 No foreign exemption; loose regulations overall.

While tobacco is considered a harmful good, regulatory authorities do not outright ban the product. The only tobacco reinforcement is a minimum age restriction. For example, U.S. Congress raised the minimum legal sales age for all nicotine or tobacco products from eighteen to twenty-one in December 2019 under the Federal Tobacco 21 Legislation (“Federal Tobacco 21 FAQ”, 2020). Given that there are no legal consequences to the sale or consumption of tobacco in general outside of age restrictions, there is no avenue or need for foreign exemption.

2.3 Gambling

2.3.1 Personal and social harm evident.

On the personal end, gambling disorder is classified under "Substance-related and addictive disorders" in the latest edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-5; American Psychiatric Association, 2013). Gambling results in health-related harms such as headaches, nausea, stress, anxiety, and depression, as well as social harms on individuals, families, and communities such as financial hardship, family breakdown, reduced productivity, and criminal activity (Gordon & Reith, 2019). A study by Nehlin et al. (2013) suggests that problematic gambling is associated with psychiatric disorders.

That said, gambling is increasingly seen as a public health rather than an individual problem (Bramley & Manthorpe, 2019) because there are considerable social costs associated with gambling (Gordon & Reith, 2019). Gambling behavior and gambling-related harm are normalized through social connections. Gambling products and marketing incorporate and encourage interaction with others, capitalizing on the fact that many forms of gambling represent an important social relationship between people to promote social connection as part of the gambling experience (Russell et al., 2018).

2.3.2 Foreign exemption dependent on majority religion; semi-strict regulations.

Gambling is considered *haram* (not permitted) in Islam which affects regulation. However, regulation is generally more nuanced than for alcohol consumption (regulated based on religion) and tobacco use (regulated based on age). Casino regulation in Asia can be categorized into four subgroups based on three criteria: (i) whether foreigners were allowed entry, (ii) whether locals were allowed entry, and (iii) whether locals were levied for entry (see Table 1).

Table 1

Casino regulation types in Asia

Type	Category	Foreigners Allowed?	Locals Allowed?	Locals Levied?	Example Region
1	Free access	Yes	Yes	No	Macau
2	Restricted access for locals	Yes	Yes, restricted entry	Yes	Singapore [a]
3	Religion dependent	Religion dependent	Religion dependent	Religion dependent	Malaysia [b]
4	No access	No	No	N/A	Thailand

[a] Entry of locals restricted to three visits per week.

[b] Restriction of entry to non-Muslims only regardless of nationality.

2.4 Alcohol

2.4.1 Personal and social harm evident.

Alcohol is connected to various health problems such as liver disease, heart disease, pancreatitis, fetal alcohol spectrum disorder (FASD), and certain types of cancer (Yeomans, 2014). Alcohol misuse is harmful to society because it affects public safety (e.g. alcohol-related violent assaults) and creates various external costs including public health costs due to an increase in A&E (Accident and Emergency) attendances and ambulance callouts (Jervis & Smith, 2011).

2.4.2 No foreign exemption; strict regulations for Muslim countries.

Similar to gambling, alcohol is also considered *haram* (not permitted) in Islam, which affects its domestic sale and consumption. There are also regulations in place for marketing such as the display of alcohol advertisements. In 2014, the WHO reported that in Asia, alcohol marketing regulation ranges from the least restrictive, as seen in Japan and Laos, to the most restrictive, as seen in many Muslim-majority Asian countries.

3. RESEARCH QUESTION AND HYPOTHESIS

My work is a topographical study, mapping the landscape regarding foreign exemption in tobacco, alcohol, and gambling regulation in East and Southeast Asia. The goal is to breach the chasm of current literature by first aggregating the findings on Asian countries and filling in any gaps in knowledge, then identifying the common factors driving the landscape. The main research question is: is there a generalized framework that can be built to characterize country policies against harmful industries such as tobacco, alcohol, and gambling? Specifically, how do countries tackle foreign exemption?

Sub questions that help answer the main research question include - why do these countries in Asia currently enforce these policies against tobacco, alcohol, and gambling? Are there underlying commonalities in the demographic (education, religion, ethnicity, etcetera), culture, political or economic climate? What motivates a policy (how do countries balance economic benefit with societal harm)?

My hypothesis is that country leaders (1) care only about the welfare of their citizens since foreigners cannot vote in elections and (2) are willing to trade off regulatory standards for economic benefit, therefore adopt foreign exemption in the regulation of dangerous good consumption. In other words, I hypothesize that for all jurisdictions studied, foreigners would be allowed to purchase and consume tobacco and alcohol and partake in gambling freely with no restrictions, while locals will be subject to more stringent regulations.

4. DATA AND RESEARCH METHODOLOGY

This study is qualitative and topographical; the primary sources of data are archival data such as official archives from governments (usually the ministry of tourism) and other research papers on the casino industry in Asia. This information is available on journal archives and government websites.

Data is compiled of fourteen countries (spanning seventeen geographies due to Macau and Hong Kong's status as special administrative jurisdictions of China and Taiwan's status as a state under Chinese jurisdiction) in East Asia and Southeast Asia by descending order of GDP per capita (World Bank 2018). I refer to the seventeen geographies as "jurisdictions" in this paper. See Table 2 for a full list of the jurisdictions by geography.

Table 2

List of 17 jurisdictions studied by descending order of GDP per capita

Geography	East Asia	Southeast Asia
Jurisdictions	China: Macau	Singapore
	China: Hong Kong	Brunei
	Japan	Malaysia
	South Korea	Thailand
	China: Taiwan	Indonesia
	People's Republic of China	Philippines
	Mongolia	Laos
		Vietnam
		Myanmar
		Cambodia

Despite covering approximately one-third of all countries in the world, this remains a very small sample. Therefore, instead of running statistical hypothesis tests, for which the small sample size will not garner significant or meaningful results, data is analyzed using a basic two-way comparison table with an analysis of odds ratios.

The research methodology is an iterative approach with a cycle of observation to hypothesis-building to an expansion of data or deep dive, which leads back to observation. After comparing country-level data, new data is added to the comparison table based on the results. For example, after a basic comparison I found similarities in terms of casino policies for Japan and Singapore; to know whether the underlying forces driving the policies are the same I would need to expand the comparison table to include other products like alcohol. The methodology that I am using (a mixture of literature review and additional qualitative research) is widely used for other papers in this area, for example, Mccartney (2016) from the UNLV Gaming Research & Review Journal utilized other research papers as the main resource while Loo and Kai (2016) detail the qualitative research they conducted.

5. RESULTS

The focus of this study is foreign exemption, specifically in the consumption of the goods or services related to the three sins. As there are no legal consequences to the consumption of tobacco for all of the jurisdictions studied, research pivoted to alcohol and gambling.

5.1 Alcohol

5.1.1 Muslim jurisdictions prohibit the consumption of alcohol.

Out of the seventeen jurisdictions (spanning fourteen countries) researched in East Asia and Southeast Asia, only three jurisdictions regulated the sale of alcohol - all three are Islamic jurisdictions.

Brunei – illegal for Muslims.

In Brunei, Muslims are not allowed to consume alcohol. According to Laws of Brunei Chapter 37 Excise Section 25 (Licensee not to permit Muslims to enter), "No person holding a license to sell by retail intoxicating liquors for consumption on the premises shall permit any Muslim, other than a public servant in the lawful exercise of his duty, to enter upon the premises so licensed."

Indonesia – illegal in province with Syariah law.

In Indonesia, there is a strict alcohol ban in Aceh, which is the only province that practices Syariah law. In Aceh, any Muslim caught consuming alcohol is liable to punishment, which includes whipping ("Liquor Control Bill", 2015).

Malaysia – illegal for Muslims.

In Malaysia, there is a dual-track justice system – Islamic courts operate alongside civil courts and only apply to Muslims. Alcohol is prohibited to Muslims regardless of nationality and can result in punishment, including fines and caning. In 2009, an Islamic court in Pahang fined a Muslim visiting from Singapore MYR 5,000 (US$1,400 at the time) and sentenced her to six strokes with a rattan cane for drinking beer at a hotel bar ("Malaysian model", 2009).

In other words, there is no foreign exemption in alcohol regulation since it is motivated by religion.

5.2 Gambling

While there are many avenues to gamble, to limit the scope this study will focus on the casino industry. Given the nuanced differences of casino regulations in each region studied, all jurisdictions are listed below for detailed analysis (see Table 3 for summary view), with a focus on foreign exemption (whether foreigners are exempted from restrictions on locals).

5.2.1 East Asia.

Macau – no restrictions on locals.

Casino gambling in Macau was legalized in 2002 (Wong, 2011), and it is the only jurisdiction in China that allows casino gambling (Liu et al., 2015). There are no restrictions to casino entry.

Hong Kong – illegal.

Casino gaming is currently illegal in Hong Kong, but tourist and resident perceptions towards legalization are positive (Tam & Chen, 2013).

Japan – locals allowed but to be charged an entry fee and restricted to three visits per week.

Japan legalized casinos in 2018 through the “integrated resort promotion law” and is currently welcoming bids (Siripala, 2019). Based on the law, the Japanese government will only approve integrated resorts (IRs) and not standalone casinos (Sasaki, 2017). According to the director-general of the Preparation Office of Japan Casino Regulatory Commission, Makoto Nakagawa, Japan’s newly crafted gaming law was modeled after Singapore’s IR model which showed balance “between strong legislation and responsible gaming” (Tan, 2019). Locals will be allowed into the casino but will be charged an entry fee of 6,000 yen (US$ 55) and restricted to three visits per week.

South Korea – locals restricted to only 1 out of the 17 casinos.

South Korea has 16 foreigner-only casinos and 1 casino accessible for locals, Kangwon Land. Kangwon Land’s casino revenue in 2014 accounted for over half of South Korea’s total casino revenues (McCartney, 2016). According to Williams, Lee, and Back (2013), patronage of casinos outside South Korea was uncommon.

Taiwan – illegal unless referendum passed for offshore islands.

No casino is legally certified in Taiwan, but according to the "Offshore Islands Development Act" passed by the Taiwanese government in 2008, casinos on Taiwan's outer islands (Kinmen, Matsu, and Penghu) can be legalized if a majority of island residents vote in favor of doing so (Yen & Wu, 2013). To date, only Matsu's referendum was passed, and no casinos have been built despite Lin Kuo-shian, director-general of Taiwan's transportation ministry's statement in 2014 that Taiwan's first casino could open by 2019 (Jennings, 2014).

China – illegal.

Casino gambling is not legalized in mainland China (Goulard, 2016).

Mongolia – currently illegal, proposition to restrict locals.

Casino bills have been submitted in 2012 and 2015 but were not passed. Under the 2015 draft, Mongolia will establish two casino resorts which are expected to generate MNT 74 billion to MNT 130 billion (US$ 27.5 million to US$ 48.2 million) in tax revenue annually, and it will restrict entry to only foreign nationals ("Mongolia intends", 2017).

5.2.2 Southeast Asia.

Singapore – locals allowed but levied on a daily and annual basis.

Singapore opened its first casino in 2010 after 40 years of banning casinos (MarketLine, 2019), with strict regulations to discourage locals. Locals are allowed in casinos but are levied S$150 (US$109) daily and S$3,000 (US$2,185) annually.

Brunei – illegal.

Brunei is governed under Syariah law and gambling is prohibited under Brunei's Common Gaming Houses Act (2001).

Malaysia – locals allowed except for local Muslims.

Casino entry in Malaysia is restricted to non-Muslims, regardless of nationality. Loo and Phua (2016) discuss the benefits and costs of gambling legalization in Malaysia. In Malaysia, Casino de Genting is the first and only legal casino in Malaysia and was opened at the Genting Highlands resort in the state of Pahang in the early 1970s. Since then, no further casinos have been allowed to open in Malaysia. Loo and Phua (2016) cite the influence of Islam and its increasing impact on public policy as an important factor that influenced that decision. They conclude that the gambling policies in Malaysia are underdeveloped and raise four key challenges in improving the status quo: the dual legal system, cultural sensitivity, low political motivation, and democracy and the rise of Islamization in policymaking.

Thailand – illegal.

All forms of gambling are illegal in Thailand, but approximately half of Thai adults gamble illegally (Cohen, 2016).

Indonesia – illegal.

87% of Indonesians identified as Muslim in its 2010 Census Indonesia (Jakarta, 2010). The country enforces Sharia law and gambling, which is illegal, results in a flogging penalty (Miller, 2019).

Philippines – locals allowed.

Locals are allowed into casinos in the Philippines. The regulatory body, Philippine Amusement and Gaming Corporation (PAGCOR), is self-regulating. According to Reyes (2017), PAGCOR's strategic investments in an Entertainment City was a specific government decision. PAGCOR has been strengthened by presidential decree, managing, and owning its own “Casino Filipino” branches.

Laos – locals not allowed.

Sims (2017) puts forth that foreign investment in Laos is targeted on natural resource extraction, therefore casinos are perceived as new mechanisms for development and urbanization. There are also historical and contemporary forces at play such as China’s growing presence in Laos and the Lao state’s attempts to expand its governance powers within border jurisdictions and promote regional connectivity within continental Southeast Asia. Locals are not allowed into the casinos.

Vietnam – locals permitted under certain restrictions for a pilot time frame.

According to Decree 03/2017/ND-CP (Decree 03) on casino business issued in January 2017, a casino business enterprise is permitted to operate only within an integrated entertainment, services and tourism zone with minimum investment capital of $2 billion, and the investment project in an integrated zone is also required to have a certificate for casino business for the satisfaction of conditions issued by the Ministry of Finance. The decree also provides that for a period of three years from the date on which the first casino business enterprise was licensed to conduct the trial, Vietnamese resident citizens, subject to certain restrictions, are permitted to gamble at casino business locations on a pilot basis. Massmann (2017) states that the issuance comes from the government’s attempt to retain tax revenue from casino activities and limit foreign currency loss to neighboring countries. Vietnam loses about US$800 million in tax revenue annually from gamblers who cross the border to Cambodia.

Myanmar – locals not allowed.

Gambling was legalized in Myanmar in May 2019 with the introduction of the Gambling Law 2019 (Pyidaungsu Hluttaw Law No.13/2019). This bill, approved in 2018, repealed the previous Gambling Law 1986 that prohibited gambling activities. The establishment of casinos require the permission of the Union Government, and only foreigners are allowed to gamble in the casinos ("Legalisation of Casinos", 2019). The Union Government is simply the Cabinet of Myanmar, the executive body of the Republic of the Union of Myanmar led by the President of Myanmar.

Cambodia – locals not encouraged but no strict control.

While locals are not encouraged to frequent the casinos in Cambodia, there is no strict control. Yamada (2017) analyzes the intersection of NagaWorld's monopoly in Phnom Penh with Cambodia's political economy. NagaWorld is an IR and casino that holds a unique government agreement for a seventy-year gaming license until 2065, and a casino monopoly agreement for Phnom Penh city until 2035 (Yamada, 2017). Revenue farming is a financial management technique in which the management of a variable revenue stream is assigned by legal contract to a third party and the holder of the revenue stream receives fixed periodic rents from the contractor. NagaWorld has a special relationship with politicians and the Royal Government of Cambodia (RGC), which Yamada argues can be linked to its status as a new form of "monopoly revenue farm" within Cambodia.

Table 3

Casino Regulation in East and Southeast Asia, descending order GDP per capita

	Region	Geography	Main Religion/ percentage of population	No. of Casinos	No. of Integrated resorts	Regulation agency	Locals Allowed?	Notes
1	Macau	East	Folk/ 59%	35	6	Gaming Inspection and Coordination Bureau (DICJ)	Yes	
2	Singapore	Southeast	Buddhist/ 33%	2	2	Casino Regulatory Authority	Yes, with restrictions	Locals levied S$150, casino marketing to locals prohibited.
3	Brunei	Southeast	Muslim /79%			Illegal		Syariah law. Online casinos exist.
4	Hong Kong	East	Buddhist/ Taoist/ 28%			Illegal		
5	Japan	East	Shintoism/70%	3 Licenses to be granted	Open bid in 3 locations	To set up regulatory agency 2020	Yes, with restrictions	Locals will be charged $50 and restricted to three visits per week.
6	South Korea	East	Protestant/20%	17	1	Ministry of Culture, Sports, Tourism	Yes, with restrictions	Locals only allowed into Kangwon Land casino.
7	Malaysia	Southeast	Muslim/61%	1	1	Ministry of Finance	Non-Muslims only	Muslims are not allowed entry regardless of nationality. Dual justice system includes Syariah law.
8	Thailand	Southeast	Buddhist/95%			Illegal		
9	China	East	Buddhist/18%			Illegal		

	Region	Geography	Main Religion/ percentage of population	No. of Casinos	No. of Integrated resorts	Regulation agency	Locals Allowed?	Notes
10	Taiwan	East	Buddhist/35%	Illegal in Mainland Taiwan				Legal if offshore island passes referendum.
11	Indonesia	Southeast	Muslim/87%	Illegal				Casinos and alcohol are banned from FDI. Syariah law.
12	Mongolia	East	Buddhist/53%	0 (Currently illegal)	Draft legalization: 2 resorts	Judicial Standing Committee	No	Attempted to pass casino legalization 2012 2015. Draft legalization model: only foreign nationals allowed.
13	Philippines	Southeast	Roman Catholic/81%	19	3	Phillippine Amusement and Gaming Corporation (PAGGOR)	Yes	PAGCOR is a self-regulating corporation and a GOCC (Government-Owned or Controlled Corporation).
14	Laos	Southeast	Buddhist/65%				No	Located in Special Economic Zones (SEZs). Related to Chinese investments.
15	Vietnam	Southeast	Atheist/82%	7	1	Ministry of Finance	Yes.	For three years, citizens are permitted on a pilot basis.
16	Myanmar	Southeast	Buddhist/ 90%	3	3	Ministry for Union Government Office and the Ministry of Home Affairs	No	Legalized May 2019.

	Region	Geography	Main Religion/ percentage of population	No. of Casinos	No. of Integrated resorts	Regulation agency	Locals Allowed?	Notes
17	Cambodia	Southeast	Buddhist/98%,	26	1	Ministry of Economy and Finance	Yes	Locals not encouraged but no strict control.

6. DATA ANALYSIS

6.1 Relationship between Religion and Alcohol Regulation

Table 4

Religion v. alcohol regulation

Number of jurisdictions		Is Muslim the majority religion?	
		Yes	*No*
Is alcohol banned?	*Yes* [a]	3	0
	No	0	14

[a] If alcohol is banned for Muslims in the country, it is considered as not allowed.

Religious restrictions (whether the region is Islamic) can fully predict a region's alcohol regulations in all seventeen jurisdictions studied in East and Southeast Asia. As shown in Table 4, if a region is majority Muslim, alcohol consumption is not permitted by law and vice versa. Conversely, there are no Muslim jurisdictions where alcohol is not banned, and vice versa.

Since there are zero values in the table, I apply a Haldane-Anscombe correction, adding 0.5 to each of the cells.

$$Log\ Odds\ Ratio\ (Alcohol\ banned)$$

$$= \log(odds_{Muslim}) - \log(odds_{Not\ Muslim}) = \log\left(\frac{3.5}{0.5}\right) - \log\left(\frac{0.5}{14.5}\right) = 5.31$$

$$Odds\ Ratio\ (Alcohol\ banned) = \exp(5.31) = 203$$

The odds for alcohol being banned for a region that is majority Muslim is 203 times that of a non-Muslim majority region.

$$Variance\ of\ Log\ Odds\ Ratio\ (Alcohol\ Banned), \sigma = \frac{1}{3.5} + \frac{1}{0.5} + \frac{1}{0.5} + \frac{1}{14.5} = 4.35$$

The variance of the log odds ratio is 4.35, which gives a 95% Confidence Interval of

$$\log(203) \pm 1.96 * \sqrt{4.35} = (1.23, 9.40).$$

The odds ratio has a 95% Confidence Interval of (3.41, 12101.81). Although the range is large and hard to interpret, given that the range does not include one, it is more likely for a Muslim majority region to ban alcohol than a non-Muslim majority region.

6.2 Relationship between Religion and Casino Regulation Foreign Exemption

Table 4

Religion v. casino regulation (foreign exemption)

Number of jurisdictions		Is Muslim the majority religion?	
		Yes	*No*
Are locals allowed	*Yes*	0	7
into casinos?	*No* [a]	3	7

[a] If there is restricted entry for locals such as non-Muslim only, it is considered as not allowed.

Similarly, apply Haldane-Anscombe correction of 0.5 to all the cells to avoid error due to the natural logarithm of zero going to infinity.

$$Log\ Odds\ Ratio\ (Locals\ Allowed)$$

$$= \log(odds_{Muslim}) - \log(odds_{Not\ Muslim}) = \log\left(\frac{0.5}{3.5}\right) - \log\left(\frac{7.5}{7.5}\right) = -1.95$$

$$Odds\ Ratio\ (Locals\ Allowed) = \exp(-1.95) = 0.14$$

The odds of locals being allowed into casinos for a majority Muslim region is 0.14 times that of a non-Muslim majority region. The odds ratio of foreign exemption (locals are denied casino entry while foreigners are not) is the reciprocal of 0.14, which is 7. In other words, the odds of foreign exemption for Muslim majority jurisdictions is 7 times that of non-Muslim majority jurisdictions. Alternatively, we can calculate the odds ratio of foreign exemption below.

$$Log\ Odds\ Ratio\ (Foreign\ Exemption)$$

$$= \mathbf{log}(\boldsymbol{odds_{Muslim}}) - \mathbf{log}(\boldsymbol{odds_{Not\ Muslim}}) = \mathbf{log}\left(\frac{\mathbf{3.5}}{\mathbf{0.5}}\right) - \mathbf{log}\left(\frac{\mathbf{7.5}}{\mathbf{7.5}}\right) = \mathbf{1.95}$$

$$Odds\ Ratio\ (Foreign\ Exemption) = \exp(1.95) = 7$$

$$Variance\ of\ Log\ Odds\ Ratio\ (Foreign\ Excemtion), \sigma = \frac{1}{3.5} + \frac{1}{0.5} + \frac{1}{7.5} + \frac{1}{7.5} = 2.55$$

The variance of the log odds ratio is 2.55, which gives the odds ratio a 95% Confidence Interval of

$$\exp(\log(7) \pm 1.96 * \sqrt{2.55}) = (0.31, 160.33).$$

Given that the confidence interval includes 1, it cannot be said with 95% confidence whether a Muslim majority region is more likely to apply foreign exemptions in casino regulation than a non-Muslim majority region.

7. CONCLUSIONS

7.1 Summary

Tobacco, gambling, and alcohol are three major sins that bring both personal and social harm. Therefore, countries regulate the consumption of these dangerous goods. Foreign exemption is typically applied by domestic leaders for national interest, focusing on citizen welfare over non-citizen welfare. Domestic authorities are challenged in a balancing act between economic benefit (e.g. corporate tax and employment) and harm to its citizens that come from these three sins.

My initial hypothesis was that all countries would apply foreign exemptions for all three sins, limiting consumption for locals but not for foreigners. However, data shows that this is not true.

There is no foreign exemption in alcohol and tobacco regulations. For alcohol regulation, the legality of consumption can be perfectly predicted by the major religion of the region – if the region is majority Muslim, alcohol consumption is illegal (or at the very least is illegal for Muslims in the country). If the region is not majority Muslim, alcohol consumption is legal. For Muslim majority jurisdictions, leaders weigh religious laws heavier than the potential economic benefit from the alcohol industry. For non-Muslim majority jurisdictions, leaders appear to be less concerned about the harm dealt to citizens due to alcohol abuse and more concerned about economic welfare.

For tobacco, regulations are lax regardless of the nationality of the consumer – tobacco consumption is legalized in all the geographies studied. Economic gains from the tobacco industry outweigh the importance of limiting personal and social harm for all jurisdictions studied.

For gambling, the relationship is less direct. While a Muslim-majority country would limit access to locals, foreign exemptions are not exclusively implemented by Muslim-majority countries. Countries that implement foreign exemptions take a more balanced approach, limiting harm from gambling to citizens by enforcing stricter regulations, while simultaneously reaping economic benefit from foreigners that are allowed to frequent casinos with no restrictions.

For Muslim majority countries, the three sins, in ascending order of least strictly to most strictly regulated, are tobacco, gambling, and alcohol. The Muslim-majority countries studied in this topographical study of East and Southeast Asia (Indonesia, Brunei, and Malaysia) implement Islamic laws ("*Syariah Law*", alternate spelling: "*Sharia Law*") to some degree. Under Syariah law, consumption of alcohol is prohibited (Science, 2017), as is gambling ("*Maisir")* ("Is Gambling Allowed in Islam", 2017). It can be inferred that authorities restrict alcohol and gambling to non-Muslims within the country to comply with religious beliefs. Since tobacco does not violate Islamic law (Muslims only abstain from smoking during Ramadan, the holy month of fasting), it is not banned.

7.2 Limitations

As mentioned in Section 4 Data and Research Methodology, the sample size is very small (seventeen data points). Small sample sizes are inherently associated with low statistical power and low reproducibility.

Mapping the policies of fourteen countries to a limited number of underlying factors is an ambitious goal and could result in generalization. There could be attributes unique to a specific country that underpin the regulations, and these attributes might not be mappable.

7.3 Suggestions for Further Research

This study examines foreign exemption for tobacco, alcohol, and gambling regulation as well as the difference across countries. Future studies should dive deeper to examine why foreign exemptions are different across sins. One potential research question is, why is there foreign exemption for gambling but not for tobacco and alcohol when all cause personal and social harm? One hypothesis is that gambling is not as linked to direct health consequences as tobacco and alcohol is, so there is less backlash to allowing its consumption. Another hypothesis is that there are political repercussions for religious law to be implemented in a discriminatory manner, and nuanced differences between the religious perception of the three sins result in gambling as the only sin that results in no backlash.

Similarly, it is important to conduct further research on how foreign exemption fits within the context of country-wide regulations and legal systems.

Additionally, it could be valuable to extend the study to cover South Asia. For example, India has a history of gambling and a sizable gambling market but there are limited studies conducted (George & Nadkarni, 2017). According to Benegal (2013), India's gambling market was worth approximately US$60 billion dollars per year, of which about half was illegal. Currently, casinos are legal in only two Indian States (George & Nadkarni, 2017). On a similar note, the study can also expand geographically outside Asia. Specifically, the middle east would be an interesting avenue of research considering that close to 94% of its population are Muslims (Kiprop, 2019).

Finally, the scope of foreign exemption for gambling was restricted to casino gambling in this study and can be expanded to investigate other forms of gambling such as lotteries, Pachinkos (Japanese gambling devices), and horse racing betting. Another further area of study is online casinos. Interestingly, for the majority of the countries studied, casino policies do not cover online casinos and online gambling presence is evident.

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