

11-6-1996

Support for Gambling Proposal Mixed; Stiff Opposition Evident in Congress

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Support for Gambling Proposal Mixed; Stiff Opposition Evident in Congress." (1996).
<https://digitalrepository.unm.edu/sourcemex/3657>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Support for Gambling Proposal Mixed; Stiff Opposition Evident in Congress

by LADB Staff

Category/Department: Mexico

Published: 1996-11-06

The Tourism Secretariat (SECTUR) has drafted a controversial proposal to legalize casino gambling. With the bill, which will be reviewed by the Chamber of Deputies and Senate in early November, Tourism Secretary Silvia Hernandez is requesting that legislators approve amendments to the law of games and raffles (Ley de Juegos y Sorteos) to allow the establishment of casinos at several resorts in Mexico. The changes proposed by SECTUR would, in effect, end the ban on casino gambling imposed by former president Lazaro Cardenas in 1936. Currently, the only types of legal gambling allowed in Mexico are public lotteries and betting at racetracks.

According to political experts, the casino proposal is so sensitive that unless the matter is considered before the end of 1996, the issue may have to remain on the back burner until after the mid-term congressional elections in 1997. Indeed, the SECTUR proposal has met stiff opposition in the Chamber of Deputies, where legislators have expressed strong concerns that casino gambling could create a series of problems for Mexico, such as an increase in government corruption, money laundering, drug trafficking, and prostitution.

In response to these concerns, Tourism Secretary Hernandez has offered reassurances that her initiative will contain strong safeguards to address these problems. Among the proposals advanced by President Ernesto Zedillo's administration is the creation of a special regulating organism, comprising tourism and law-enforcement authorities. SECTUR's effort to legalize gambling began in mid-1995, when Hernandez commissioned Canada's Ryerson Polytechnic Institute (RPI) to conduct a study on the impact that casinos would have on Mexico. Some of the proposals advanced by SECTUR are based on the RPI report.

To boost the bill, SECTUR officials point out that Mexico's global ranking in terms of total tourism-related revenues dropped from Number 12 to Number 16 in 1995. They say the casino legislation is specifically aimed at attracting more US tourists, who comprised 87% of all foreign visitors in 1995. Most of the remaining tourists came from Latin American countries, Europe, and Canada. "(The casino law) would help in a competitive sense, given that Mexico's main competitors, including some US states and many islands in the Caribbean, have some type of gambling," said a SECTUR spokesperson in a recent interview with *The News*, an English-language daily in Mexico City.

Hernandez said the drop in ranking was a sign that Mexico's traditional tourism offer of "sun and beach" is not sufficient to attract the numbers of tourists that Mexico wants. "Our tourism sector is losing value in an increasingly competitive market," said Hernandez. "There are other countries such as Cuba, Jamaica, and the Dominican Republic that offer the same product at a lower cost." SECTUR officials also point to the relatively low expenditure by foreign tourists in Mexico as further justification for legalized gambling.

A SECTUR report said foreign visitors to Mexico spend on average about US\$520 per visit, compared with US\$820 per visit to Germany and more than US\$1,000 per visit to Egypt. According to a study produced by other proponents of gambling, Mexican casinos would have the potential to attract about US\$35 billion annually, or the equivalent of 10% of the US\$350 billion in revenues obtained by the US casino industry. According to statistics presented by SECTUR to members of the Chamber of Deputies, casino gambling could increase the annual number of foreign visitors by 10% to about 8.6 million tourists, and the tourism sector's revenues by 19% to about US\$7.33 billion. Foreign visitors brought a total of US\$6.2 billion in revenues to the country in 1995.

The SECTUR report also projects that casinos could create about 270,000 direct jobs in the tourism industry. "This could allow Mexico to reduce unemployment and open new opportunities for development in areas that are currently depressed," said a SECTUR document. Indeed, the tourism sector appears to be playing a larger role in Mexico's economic development. According to estimates compiled by SECTUR and the World Travel and Tourism Council, tourism is expected to contribute about 12% of Mexico's GDP in 1996 and almost 13% by the year 2006. In 1988, the industry represented only 8.6% of GDP. In general, growth in the industry is expected to create of 1.1 million new jobs in the next few years.

Ironically, separate statistics released by SECTUR in October seem to contradict Hernandez's assessment that the tourism industry is losing ground. According to SECTUR's deputy promotion and development director, Ricardo Ampudia, the tourism industry is expected to reap US\$7.74 billion in revenue in 1996, an increase of 20% relative to 1995. Furthermore, Ampudia said hotel occupancy in the first half of 1996 increased by an estimated 18% from January-June of 1995.

The concept of casinos has gained strong endorsement from the governors of Guerrero, Oaxaca, and Quintana Roo states, all members of the governing Institutional Revolutionary Party (PRI). Tourism is a major industry in all three states. "I am not a gambler, but I would be willing to bet that casinos will yield immediate and significant results for Mexico," said Quintana Roo Gov. Mario Villanueva in testimony before the Chamber of Deputies. "They will create new jobs, increase revenue, and promote regional economic development."

The casino initiative has also received strong support from some labor organizations, such as the revolutionary confederation of workers and campesinos (Confederacion Revolucionaria de Obreros y Campesinos, CROC). In announcing its endorsement, CROC released a report listing the benefits of casino gambling, including an increase in government tax revenue. The CROC study, conducted in conjunction with the international research company Economic Research Associates, suggested that just 10 casinos could bring the government revenues as high as US\$648 million over a five-year period.

Other supporters of the SECTUR initiative have commissioned private consulting companies to conduct similar studies on the benefits of casino gambling. For example, one study pointed out that casinos could create new business for providers of support services, such as restaurants, performing arts and entertainment companies, and retail outlets. The study concluded that just eight casinos could obtain US\$2.1 billion in annual earnings, not only from the direct gambling operation, but also from food and beverage sales and other entertainment.

A separate study commissioned by leaders of tourism-oriented companies in Acapulco suggested that the creation of one casino complex in that resort city would immediately attract at least US \$700 million in new investments. They said the casino complex would require the construction of at least five hotels and other related businesses. "We are talking about an economic impact of billions of dollars," said one representative of a pro-casino gambling organization (Asociacion Nacional Proindustria del Entretenimiento, ANPIE) in an interview with the daily newspaper *El Economista*. In addition to the economic-development angle, supporters of casino gambling argue that the SECTUR initiative could give state and federal governments greater muscle in prosecuting the illegal gambling operations that already exist throughout the country. "In this sense, the eventual opening of casinos in our national territory could result in the regulation of this activity, which until now has been considered illicit," said *El Economista*.

In the legislature, SECTUR's proposal is supported principally by Deputy Rodolfo Elizondo Torres, who chairs the tourism committee (Comision de Turismo) in the Chamber of Deputies. Elizondo, a member of the opposition National Action Party (PAN), has worked hard to convince other legislators to support legalizing casino gambling. However, Elizondo has met broad opposition from members of his own party as well as the PRI and the opposition Democratic Revolution Party (PRD).

At least 160 members of the Chamber of Deputies have already said they will oppose the SECTUR bill. In a letter, signed by several hundred PRI members, as well as 15 members from the PRD and 15 from PAN, the legislators suggested that SECTUR's decision to push forward the casino proposal is not appropriate, since Mexico must first give attention to other more pressing social, political, and economic matters. "The casinos would increase lawlessness by introducing illegal money into our country, encouraging an increase in crime, and creating a culture that promotes easy earnings and permanent debt," the letter said.

The letter questioned the arguments that casinos would promote economic development within local communities. "On the contrary, gamblers will spend more of their money within the casino than they will on recreation, consumption, and food and beverages in the local community," the letter said. PRI Deputy Cesar Raul Ojeda Zubieta, a spokesperson for the signatories of the letter, said legislators would like SECTUR officials to devote more attention to promoting other tourist attractions within Mexico. "We understand the motives of Secretary Hernandez, she is only performing her job in seeking to find new ways to promote tourism," said Ojeda, who serves on the tourism committee. "But there are other matters regarding our national interests that should take priority over this initiative."

Ojeda, who is former director of the hotel-motel association (Asociacion de Hoteles y Moteles de la Republica Mexicana), suggested SECTUR could better use its resources to develop ecotourism, archeological sites, and the tourism-related aspects of the cinema industry. Separately, an internal PRD document urged the Zedillo administration to review the impact of the national lottery and other legal gambling operations on Mexican society before presenting the casino initiative. "We have yet to see a study regarding the cost-benefits of casinos and slot machines," said the document. "Therefore, we do not know whether the economic benefits of this initiative are greater than the potential problems of corruption, bankruptcies for families and individuals, and the proliferation of other crimes."

Several influential members of the business community and former government officials have also spoken out against the casino initiative. For example, Carlos Abascal, president of the employers confederation (Confederacion Patronal de la Republica Mexicana, COPARMEX), said his organization believes that Mexico does not need casinos to attract an increased number of foreign visitors to the country. COPARMEX commissioned the private institute of strategic proposals (Instituto de Proposiciones Estrategicas) to study the impact of the US casino industry on society. According to the author, Alejandro Souza, the study found that 75% of the patrons of casinos were people who lived within a 300-mile radius of the facility. "This trend can be negative for both the gambler and the community," said Souza. Former tourism secretary Pedro Joaquin Coldwell has also spoken out against the casino initiative.

In an interview with the weekly magazine *Proceso*, Coldwell suggested that the initiative cannot be viewed simply in terms of the impact on the Mexican tourism industry. Coldwell, who served under former president Carlos Salinas de Gortari, said it was ironic that the Zedillo administration was embarking on such a public fight against the "mafias of drug trafficking," and at the same time taking steps to allow the "mafias of casino gambling" to come to the country.

In an opinion similar to those offered by other opponents of casino gambling, Coldwell suggested that SECTUR's priorities are misplaced. "We would be making a major error if we tried to emulate Las Vegas," said Coldwell. "Acapulco became a major tourism center in the 1950s without having to resort to gambling. Similarly, Cancun developed as one of the most attractive tourism destinations in the 1980s, also without gambling." (Sources: *Proceso*, 02/05/96; *The News*, 08/09/96; 08/21/96, 08/26/96, 10/03/96; 10/28/96; *El Financiero*, 10/31/96; *La Jornada*, 08/08/96, 08/27/96, 10/31/96, 11/04/96; *El Financiero International*, 11/04/96; *El Economista*, 11/04/96, 11/05/96; *Excelsior*, 04/22/96, 10/09/96, 10/30/96, 11/04/96, 11/06/96; *El Universal*, 09/26/96, 10/28/96, 11/06/96)

-- End --