Chamber of Deputies Refuses to Enact Tax Increase on Cigarettes

LADB Staff

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

Recommended Citation

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.
Chamber of Deputies Refuses to Enact Tax Increase on Cigarettes

by LADB Staff
Category/Department: Mexico
Published: 2005-11-09

In a controversial decision, the Chamber of Deputies refused to increase the tax imposed on cigarettes and other tobacco products. The decision came five days after the finance committee (Comision de Hacienda) in the lower house passed a resolution to recommend an increase in the cigarette tax from the existing rate of 110% to 130%.

The tax was being considered during the discussion on the expenditures portion (Ley de Ingresos) of the federal budget. The tax increase failed after the governing Partido Accion Nacional (PAN) joined with the opposition Partido Revolucionario Institucional (PRI) and the Partido de la Revolucion Democratica (PRD) to block the measure.

Proponents of the increase said the measure would have boosted government revenues from the cigarette tax to 20 billion pesos (US$1.86 billion), compared with the current level of 17 billion pesos (US$1.58 billion). The move would have added 1 peso (US$0.09) to every pack of cigarettes sold in Mexico.

Tobacco lobby said to influence decision

Critics say the decision of Congress to go against the finance-committee recommendations was influenced by heavy lobbying by Mexican and international tobacco companies, including Tabacalera Mexicana, British American Tobacco, and Philip Morris. Deputies Miguel Angel Toscano of the PAN and Guillermo Velasco of the Partido Verde Ecologista Mexicano (PVEM), leading proponents of the increase, accused some of their colleagues of accepting all-expense-paid trips to France, Spain, Costa Rica, and Brazil from tobacco companies in exchange for voting against the measure.

Toscano said he had access to the names of at least 50 deputies from the PAN, PRI, PRD, and other parties who accepted the trips. Toscano and Velasco were urged to release the list, but declined to name the legislators involved. Some members of Congress challenged the two legislators to prove the charges. The report alarmed some members of Congress, who proposed that Congress strengthen existing rules to prohibit legislators from accepting any gifts. "It's not important to identify the deputies who accepted bribes from the tobacco companies," said PRD Deputy Eduardo Espinoza Perez. "The important thing is to defend our institution, the Chamber of Deputies, to make it known that the majority of deputies do not engage in this sort of conduct."

The effort by the tobacco industry to sway the Congress to abandon the proposed cigarette-tax increase would not be surprising. A joint report released recently by Corporate Accountability International and the Network for Accountability of Tobacco Transnationals (NATT) said tobacco-oriented multinational companies have been very active in Latin America, protecting their markets through behind-the-scenes involvement in the political process. The tobacco companies have
contributed to political campaigns, arranged for all-expense-paid trips for legislators, and made significant donations to government health initiatives.

**Tobacco companies have accord with Fox government**

The tobacco companies already have an agreement with President Vicente Fox's administration by which 1 peso (US$0.09) from every pack of cigarettes sold is donated to the Secretaria de Salud (SSA).

The tobacco companies entered into this agreement in 2003 on the condition that Mexico would not increase the cigarette tax during the life of the agreement, which expires at the end of 2006. Because of this, the Fox government leaned heavily on the PAN to oppose the tax increase. If the center-right party had agreed to support the recommendations of the finance committee where most members voted to support the tax increase the PAN-PRD coalition might have ensured that the tax hike was part of the 2006 budget.

Instead, the PAN opted at the last minute to join those opposing the tax. The PRI was already opposed to raising tobacco taxes on the grounds that the measure would promote smuggling tobacco products into Mexico and threaten the livelihood of Mexican tobacco growers, who are primarily in the western state of Nayarit.

The PRI helped organize a demonstration by 200 tobacco farmers from Nayarit in front of the congressional building in San Lazaro just hours before the tobacco tax was to come up for a vote. The agreement between the Fox government and the cigarette companies brings about 4 billion pesos (US$372 million) to government coffers for use in cancer-treatment programs and smoking prevention. Health Secretary Julio Frenk Mora said some of the money is being used to offer free health care to children with leukemia and women with cervical cancer.

"These programs would be at risk if legislators approved an increase in the cigarette tax," Frenk said after the finance committee approved the tax hike. Critics say, however, that economic costs of smoking far outweigh the donations from the tobacco companies. "The government spends as much as 30 billion pesos (US$2.79 billion) per year to treat ailments related to tobacco use," said columnist Gonzalez Gamio. Health authorities attribute 50,000 deaths in Mexico each year to diseases related to the use of tobacco.

Others say the Fox administration should not have negotiated the agreement with the tobacco companies in the first place, as it violates an earlier accord with the World Health Organization (WHO). In that accord, Mexico agreed not to involve tobacco companies in any measures to control and treat tobacco use. Frenk, who once worked with the WHO, was instrumental in negotiating the accord with the UN agency. But his decision to oppose the proposed increase in cigarette taxes is a departure from previous years when he actively promoted raising those taxes. "Now the secretary's position is that the administration already achieved its goal of increasing this tax to the highest level in Mexican history," said the Mexico City daily newspaper La Jornada.

Some observers say Frenk should be given credit for taking strong measures to try to reduce smoking in Mexico. During his tenure, Mexico boosted the cigarette tax from 20% to 110%, forced...
the tobacco industry to place labels warning of the health risks of smoking on all its products, and banned all television advertising of cigarettes and other products. All these measures were prominent in the accord the government signed with the WHO. "The tax rate [of 110%] is not only within the levels proposed by the World Bank and WHO, but it is slightly higher than in countries where the tobacco companies have earnings similar to those in Mexico," said David Paramo, a commentator for Radio Formula.

**Number of smokers increases significantly since 1988**

Still, critics say these measures have not been sufficient to reverse a discouraging trend in Mexico, where close to one-fourth the population now uses cigarettes or other tobacco products. Government statistics show that at least 16.5 million Mexicans are smokers, compared with only 9 million in 1988.

A recent government report acknowledged that the tobacco companies have targeted promotion efforts to two groups: youth and women, and roughly 45% of all smokers are under age 29. "It is obvious the tobacco industry is casting its eyes on developing countries," said Raul Sansores, director of the Instituto Nacional de Enfermedades Respiratorias (INER). "Our answer had been we want nothing to do with them. They want people to keep smoking."

The targeting of women and youth has prompted the Consejo Nacional contra las Adicciones (CONADIC) to launch a major anti-smoking campaign in Mexican public schools called Escuelas libres de humo de tabaco (Schools free of tobacco smoke). The program will be implemented in 200,000 elementary and secondary schools throughout Mexico, with the goal of reaching 25 million students.

Campaign coordinator Jose Ocana said the effort would be accompanied by other measures, including an agreement with the radio-television chamber (Camara de la Industria de la Radio y la Television, CIRT) to promote the anti-smoking campaign. Additionally, the government is calling for stiff penalties against retailers who sell cigarettes to minors. "To fight tobacco usage among our youth, we should have many more prevention and information campaigns about the serious [health] consequences caused by this very addictive drug," said Paramo.

The Mexican Congress and local governments have also taken some steps to restrict smoking, in particular with initiatives to protect nonsmokers from second-hand smoke. Government statistics indicate that an estimated 48 million Mexicans are subject to second-hand smoke.

In July 2003, the Chamber of Deputies approved legislation to require that bars and nightclubs reserve at least 40% of their space for nonsmokers and install special ventilation systems to prevent smoke from spreading. The initiative reinforced a regulation implemented by the SSA in 2000, which prohibited smoking in most public areas. The congressional legislation came on the heels of a law approved in 2002 that banned cigarette advertising on radio and television.

The Mexico City legislative assembly (Asamblea Legislativa del Distrito Federal, ALDF) approved its own legislation at the end of 2003. The ALDF measure took the federal law a step further by banning smoking in all public places, including banks, hospitals, public buses, city offices, movie houses, and
concert halls. The ALDF legislators also voted to require bars and restaurants to set aside at least 40% of their tables for patrons who do not want to inhale cigarette fumes. The new guidelines for restaurants and bars prompted an outcry from the Camara Nacional de la Industria Restaurantera y de Alimentos Condimentados (CANIRAC), which unsuccessfully attempted to block the Mexico City measure in court. "If authorities want people to smoke less, there should be education and awareness programs, not restrictions on smoking areas," said CANIRAC president Rafael Saavedra.

Health authorities praised local officials for taking action to reduce second-hand smoke. "The example set by Mexico City will be a seed for what occurs in other cities," said Sansores. "This is an enormous advance in legislation, a precedent in the fight for public health." So far, one other legislature has followed through. In November 2004, the Nuevo Leon state legislature approved a measure that prohibits smoking in small restaurants. The initiative applies only to restaurants with eight or fewer tables. As with the Mexico City and federal laws, larger restaurants are required to set aside 40% of their tables for nonsmoking patrons. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 9, reported at 10.72 pesos per US$1.00] (Sources: Latin Trade, 06/03; Notimex, 12/30/03; Copley News Service, 04/06/04; Fuerza Informativa Azteca, 12/31/03; The Wall Street Journal, 11/11/04; Agencia de noticias Proceso, 10/25/05, 10/26/05; Reforma, La Jornada, 10/26/05, 10/27/05; The Herald-Mexico City, Notimex, 10/27/05; La Cronica de Hoy, 06/01/05, 10/26-28/05; La Crisis, 10/26/05, 10/28/05; El Economista, 10/26/05, 11/03/05, 11/04/05; Radio Formula, 11/04/05; El Universal, 06/01/05, 10/26-28/05, 11/01/05, 11/02/05, 11/07/05, 11/09/05)