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## FEATURED Q&A

# Is Tax Policy a Good Way to Make Latin America Healthier?



Measures to combat obesity and related diseases should include consumer education, prevention and promotion of healthy lifestyles, PepsiCo's Paula Uribe writes below. // File Photo: Pan American Health Organization.

**Q** Five years ago, both Mexico and Chile imposed new taxes on sugary drinks in efforts to fight obesity. The moves have been part of a trend among government officials to impose so-called "sin taxes" on products deemed to have negative health effects, such as alcohol and tobacco. Have sin taxes led to improved health outcomes in the countries that have been most aggressive in using them? How have the taxes changed consumption trends, and have state coffers benefited as much as officials had hoped? Have the taxes made poor people even poorer, as critics suggest?

**A** Felicia M. Knaul, director, and Maria José Aguilera, research associate, both at the University of Miami Institute for Advanced Study of the Americas: "Global evidence suggests that demand is sensitive to price changes in certain unhealthy consumer items that contribute to the rise in chronic diseases—such as sugary drinks and tobacco products—suggesting potential health and fiscal gains in levying taxes on these products. Policy reform experiences in the Latin America and the Caribbean (LAC) region support this evidence. For example, a 2011 tobacco reform in Brazil included a cigarette tax that resulted in both a reduction in the prevalence of smoking and an increase in tax revenues. Argentina raised its tax on cigarettes in 2016, and revenues increased. Panama is allocating part of its tobacco tax revenue to the Ministry of Health and the National Cancer Institute. Mexico—a country that faces staggering rates of obesity and diabetes—has developed promising policies. In 2014, the federal government implemented a \$1 Mexican peso/liter (about 10 percent) tax on sugary drinks and an 8 percent tax

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Trump Pushes for Border Wall, USMCA Passage

U.S. President Donald Trump used his annual State of the Union address to push for more security along the U.S. border with Mexico and call for Congress to pass the U.S.-Mexico-Canada Agreement.

Page 2

### POLITICAL

## Venezuelans Face Hurdles in Getting Food, Medicine

As Venezuela's opposition has been warehousing international food and medicines, some major relief organizations are reluctant to cooperate, fearing the plan could turn humanitarian aid into a political weapon.

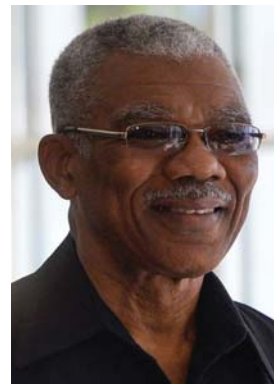
Page 2

### POLITICAL

## Guyana Election Commission Delays Vote

A court in Guyana had ruled that general elections must be held in March. Opposition parties in December tried to oust President David Granger, a move his administration has contested.

Page 2



Granger // File Photo: Agência Brasil.

## POLITICAL NEWS

## Trump Pushes for Border Wall, USMCA

U.S. President Donald Trump used his annual State of the Union address Tuesday to push for more security along the U.S. border with Mexico, dedicating more time to the topic than any other in his 82-minute speech, USA Today reported. "The lawless state of our southern



Trump // Photo: U.S. Government.

border is a threat to the safety, security and financial well-being of all Americans," Trump told the packed House chamber. The Republican president also called on Congress to pass the U.S.-Mexico-Canada Agreement, or USMCA, which replaces the North American Free Trade Agreement. "I hope you can pass the USMCA into law so we can bring back our manufacturing jobs in even greater numbers, expand American agriculture, protect intellectual property and ensure that more cars are proudly stamped with our four beautiful words: made in the U.S.A.," Trump said.

## Opposition Faces Hurdles in Getting Food to Venezuelans

Venezuela's opposition on Tuesday said it is preparing to deliver tens of millions of dollars' worth of food and medicine to ease shortages and undermine the regime of President Nicolás Maduro, The New York Times reported. "We want to provide tangible early results," said Miguel Pizarro, the opposition lawmaker in charge of organizing the aid delivery. "We can't

wait for the political transition to start reducing the people's suffering." But some major relief organizations are reluctant to cooperate, fearing the plan could turn humanitarian aid into a political weapon and put their staff at risk of being caught up in the conflict. The International Committee of the Red Cross and its local affiliate in Colombia said in a statement that they would not participate in the delivery effort for the time being, citing the group's "fundamental principles of impartiality, neutrality and independence," according to the report. Maduro's government for years has used food as a political tool, distributing it to loyalists and voters during elections. Some analysts say one of the opposition's primary goals, in addition to emergency relief, is to press the military into disobedience of Maduro's orders to block the shipments. Meanwhile, a bank in Portugal, Novo Banco, on Tuesday blocked the Maduro administration's attempt to transfer \$1.2 billion to Uruguay, Reuters reported, citing opposition legislator Carlos Paparoni. The bank is majority owned by a U.S.-based company, according to the report. In his annual State of the Union address Tuesday evening, U.S. President Donald Trump reiterated support for Venezuela's opposition. "We stand with the Venezuelan people in their noble quest for freedom—and we condemn the brutality of the Maduro regime, whose socialist policies have turned that nation from being the wealthiest in South America into a state of abject poverty and despair," he said. In addition to the military's leadership, Maduro continues to retain the support of "colectivos," armed neighborhood groups that see themselves as the defenders of Bolivarian Socialism and view the opposition as puppets of foreign powers wanting to exploit Venezuela's oil wealth. "We're a militia and when the moment arrives, we'll take up arms," one member told BBC News.

## Guyana Election Commission Defies Court, Delays Vote

Guyana's election commission said Tuesday it will not be ready to hold general elections

## NEWS BRIEFS

## Brazil Court Releases Vale, TÜV Süd Executives

A Brazilian appeals court on Tuesday ordered the release of the five people arrested last month in connection with the investigation into the dam collapse at one of Brazilian mining giant Vale's complexes in Minas Gerais State, The Wall Street Journal reported. The five individuals, three Vale employees and two engineers with German industrial testing company TÜV Süd, had been detained for questioning regarding the dam's safety. At least 134 people were killed after the dam ruptured on Jan. 25.

## Canadian, Mexican Steel Groups Oppose U.S. Trade Complaint

A Canadian steel industry group said on Tuesday it would strongly oppose a petition filed by its U.S. counterpart urging anti-dumping duties on certain steel imports from Canada, Mexico and China, Reuters reported. The Canadian Institute of Steel Construction (CISC) said the petition asking for anti-dumping and countervailing duties was "baseless." The petition was filed this week by the American Institute of Steel Construction at the Department of Commerce and International Trade Commission.

## Colombia Modifies Rules for Oil, Gas Exploration

Colombia's National Hydrocarbons Agency has modified how it will give out offshore oil and gas exploration contracts and relaunched bidding for more than 20 possible production areas, Reuters reported Tuesday. The Andean nation last had an auction in 2014. In the face of low prices for oil, the new system will allow companies to bid on areas that interest them, not just on those already on offer by the government. Also under the changes, offshore contracts that are extended beyond their original length will now cost companies at least 5 percent more in payments to the government.

in March despite a court order to do so in the wake of a no-confidence vote late last year, the Associated Press reported. Election commissioners say they need months more to compile a new list of voters because the current one likely contains thousands of names of voters who have died or left the country, according to the report. Opposition parties narrowly passed a no-confidence motion in December to oust President David Granger, a move his administration contested, asserting that, by law, 34 votes were needed instead of 33. Granger, who is being treated for cancer in Cuba, has nearly two years left in his term. In response to growing tensions, the European Union and United Nations this week both issued statements urging "all stakeholders to uphold the constitution," Stabroek News reported. The political discord comes as the country has been creating regulations and procedures to handle windfall oil revenues while international oil companies begin production in waters offshore Guyana. The country's output is poised to reach 750,000 barrels a day by 2025, according to an estimate from ExxonMobil, Bloomberg News reported. [Editor's note: See related [Q&A](#) in the Jan. 14 issue of the Advisor.]

## ECONOMIC NEWS

# Argentina Posts Large Decline in Industrial Output

Argentina's industrial output decreased by 14.7 percent in December as compared with the same month last year, state statistics agency Indec said on Tuesday, Reuters reported. The figure follows another double-digit drop the month before and marks the eighth straight month of declines. In a note to clients, Goldman Sachs analyst Alberto Ramos called December's contraction "very large" and said it reflects a "significant tightening of domestic financial conditions, deterioration of sentiment indicators and the impact of the major contraction of agricultural production" last year, which hurt industries such as soybean crushers.

## FEATURED Q&A / Continued from page 1

on certain nonessential energy-dense foods. By 2016, purchases of sweetened beverages had fallen by more than 7 percent on average and by almost 12 percent in low-income households. The health implications of these consumption changes will take time, but projections suggest a 2.5 percent reduction in obesity by 2024, and 86,000-134,000 averted cases of diabetes by 2030, with potential savings in health care costs in the range of \$1 billion. Excise taxes on unhealthy foods and drinks can be most successful in improving health and in avoiding a disproportionate burden on the poor if they are part of broader public policies that include progressive subsidization of healthy food alternatives, improving access to safe drinking water and recreational spaces, promoting exercise and nutrition labeling. A focus on children is especially important, including promoting healthy school settings free of alcohol and junk food, nutritional school lunches, health education in standardized curricula and focused advertising and sales restrictions."

**A Paula Uribe, senior manager of global public policy and government affairs at PepsiCo:** "Taxing sugar-sweetened beverages, or SSBs, is an overly simple solution to a complex problem. In fact, countries that have considered using SSB taxes to combat obesity have largely underperformed against these expectations. According to the data from Mexico's 2016 National Health and Nutrition Survey, between 2012 and 2016, obesity rates in the country have risen among adults. Another example is Chile, which has implemented a tax and other measures including warning labels, with results that were not as effective as shown by a recent OECD report, which states that obesity went up by 9.3 percent between 2016 and 2017. Additionally, SSB taxes are highly regressive and disproportionately affect low-income households. The 2014 Kantar World Panel Mexico Report states 63.7 percent of the

tax was collected from the lowest socioeconomic households, and of these, low-income families living in poverty paid 37.5 percent of the total tax collected. In conclusion, SSB taxes are ineffective and inefficient policy solutions. The beverage industry has been reformulating beverages to reduce sugar, offering more lower- and no-calorie options. We believe that robust public-private collaborations are an essential element of success in addressing obesity and related diseases. Effective measures to combat obesity and related diseases should include sound, comprehensive policy actions and consumer education, prevention and promotion of healthy lifestyles."

**A Núria Homedes, executive director of Salud y Fármacos:** "Available evidence in Latin America suggests the SSB tax has been very successful at raising revenue for governments but has not attained a sustainable reduction on consumption of SSB, and the impact on obesity and chronic diseases, at best, appears to have been minimal. Obesity is a multipronged problem, and SSB might not be among the largest contributors. However, from the public policy perspective, it is easier to tax SSB than to restrict sales of other calorie-dense foods or junk-food advertising, revise trade agreements to limit the availability of low-nutrient, highly-processed foods, promote good nutritional practices or tackle any other epidemic contributors. Health care providers, to reduce the incidence of gastrointestinal diseases, often recommended SSB to populations without regular access to potable water. This, and the high price of bottled water, might have contributed to higher consumption of SSB among poorer people. It is conceivable that some of those residents believe that SSB are best for them; they might ignore how to use their limited budget to purchase healthier foods; experience other barriers to healthy eating, such as economic and geographical access to

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

perishables (fruits and vegetables); or lack other enabling factors such as the ability to store perishables, use appropriate hygiene practices or food preparation skills. For these reasons, SSB taxes may be regressive and inhibit the key demographics that governments are striving to protect. Rather than increase the SSB tax, governments interested in controlling the obesity epidemic might want to invest in promoting and enabling healthy nutrition practices.”

**A** **Katherine Bliss, principal at Girasol Global Policy Consulting and senior associate at the CSIS Global Health Policy Center:**

“Proponents of taxes on sugary drinks say the measures can reduce obesity-associated public health problems, such as diabetes and cardiovascular disease, and generate revenue for health programs. Mexico, which has one of the highest obesity rates in the world, and where diabetes is the leading cause of death, implemented a tax on sugar-sweetened beverages in 2013, when the Congress approved a tax of one peso, roughly 10 percent, per liter of sugar-added drink sold. By the end of 2014, Mexico had seen soft drink purchases decrease by 5.5 percent. Chile, which imposed a tax on sugary beverages the same year, likewise saw decreased drink consumption. Over the past five years, countries around the world have adopted similar measures. While advocates celebrate the reduced consumption of sugar-sweetened beverages as a win for public health, studies have not yet directly linked the taxes to lower rates of obesity. However, researchers project that by 2022, Mexico could see fewer cases of diabetes, strokes and heart attacks; fewer deaths; and improved health care savings. Critics say the taxes unfairly burden lower-income consumers, who may not have access to quality drinking water or may depend on soft drinks to meet daily caloric needs. And, in some places, beverage producers have responded by offering prizes and other enticements to encourage the purchase of sugar-added

products. Some observers argue that better, or at least complementary, options would be continuing to encourage drink companies to use less sugar while improving consumers’ access to fresh fruits and vegetables, perhaps through subsidies.”

**A** **Hank Cardello, director of the Food Policy Center at the Hudson Institute:** “To address alarming rates of obesity in countries such as Chile and Mexico, governments and public health advocates have worked together to institute measures such as taxes on sugary beverages and severe package labeling requirements, including black stop sign labels, to signify high levels of calories, sugar, saturated fats and sodium. While the ‘success’ of these initiatives is being proclaimed, there is no hard sales evidence to back this up. No ‘substitution effect’ analysis has been performed to determine whether actual calorie consumption has declined. And according to the 2016 Mexico National Health & Nutrition Survey, adult obesity rates actually have climbed to 72.5 percent, up 1.3 percentage points from 2012. What governments and public health advocates need to do is think like marketers. Food marketers apply a powerful technique called consumer segmentation to understand how to message to specific consumers and motivate them to change. However, most public-health initiatives such as taxes and labeling are designed on a ‘one-size-fits-all basis.’ Research conducted by the Hudson Institute has shown, for instance, that less healthy cohorts do not read package labels nearly as much as those exhibiting a healthy weight. Public-health advocates will be more effective in achieving their goals by applying these techniques and by pushing for commitments from industry. Witness the U.S. confections industry commitment in which the leading candy companies committed to sell more than 50 percent of their products at 200 calories or less. Adopting this new approach will go a long way to reducing caloric consumption and obesity rates.”

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