Let’s not sugarcoat this: overcoming opposition to a tax on sugary drinks

Thursday, 9th December, 2021 | 7.00 am - 8.30 am EST
Meeting Guidance

1. Please mute your mic when others are speaking by clicking this icon on your screen 🎤. You are muted when you see the following icon 🎤.

2. If you have technical difficulties, please contact Aditi Nigam or Vrishali Shekhar using the Chat feature. This can be found by clicking this icon 📣.

3. Please use the chat feature by clicking this icon 📣 and to send a question that can be seen by ‘Everyone’.

4. To listen to the event in English or Russian, click on the Interpretation icon 🌐 on your toolbar and choose your preferred language.

5. Selecting “Mute Original Audio” mutes the other audio channel so you only hear the selected language.

6. Please use headphones for optimal audio and speaking experience.

7. For participants calling in: Press 1 to go to menu. Press 8 to enable language interpretation to listen to interpretation audio channels and view interpreted text.
If you are not interested in Russian interpretation, please click on the English channel for English audio.
Session moderator

Dr. Kate Mandeville
Senior Health Specialist, World Bank
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Opening remarks

Dr. Michele Gragnolati
Practice Manager for Health, Nutrition and Population in the Latin America and the Caribbean Region, World Bank
Let’s not sugarcoat this: overcoming opposition to a tax on sugary drinks

Michele Gragnolati
Opening Remarks

December 9, 2022
1. Intake of Sugar Sweetened Beverages (SSBs) is a huge and increasing problem in LAC

The Latin America and Caribbean (LAC) region has the highest levels of consumption of SSBs among adults globally – as high as 2.5 beverages per adult per day in Trinidad and Tobago.

Consumption of SSBs in the region has increased over time, paralleled by an increase in BMI.
2. Taxes on SSBs have positive impact on population health and expenditures on healthcare

- Taxes on SSBs help reduce consumption and prevent obesity.
- Taxes on SSBs result into savings on healthcare.
- Revenues raised from taxes on SSBs can be used to promote the health of the population.
- Taxes on SSBs are progressive: low-income consumers and young people get the greatest health benefits from taxes.
3. Industry opposition to taxes on SSBs is wide-ranging and multi-faceted

The interference of the food and beverage industry includes political, economic, social, scientific and legal domains.

Interference is largely based on statements that the taxes violate national, regional, and international law by infringing on commercial rights, and significantly reduce their return on investments, with threats to withhold further investment in the region.

Industries further combine their claims with negative media coverage, lobbying and threats of legal action.
4. What can be done?

Focus on the **availability of national-level data on SSB consumption and obesity** to demonstrate the severity of the problem and its health and economic implications.

Use these data to **inform decision making, expose industry tactics and debunk industry myths.**

Taxes on SSBs should form part of a **comprehensive and diversified solution** that includes other policy and public health measures, for example, **advertising restrictions, front-of-pack nutrition labeling, and messaging to promote improved diets and behaviors**, among others.

Observe procedural **requirements and due process in the design and implementation of SSB taxes**, all the while recognizing that governments are protected by several domestic and international trade laws that recognize the **sovereign right of states to regulate in the interest of public health.**
Key Messages

#INVEST in People :: #INVEST in Health

Sources

Thank you
Polling the experts

What do you think would be the opposition arguments against stronger health taxes in your context? Please check all those applicable:

• *These taxes hurt jobs, businesses, and the economy*
• *They hit the poorest hardest*
• *They will encourage illicit trade*
• *People will just buy them from other countries*
• *They interfere with freedom of choice*
• *They’re not effective anyway*
Industry arguments against Mexico’s SSB tax

Dr. Laura Schmidt

Professor of Health Policy
School of Medicine, University of California San Francisco
Anticipating Industry Opposition to Soda Taxes

Laura Schmidt, PhD
Professor, UCSF School of Medicine
Soft Drink Market Share

- Coca-Cola: 42%
- Pepsi: 30%
- Dr. Pepper Snapple: 15%
- Other: 10%
- Cott Corporation: 3%

SOURCE: IBISWORLD
The industry’s perspective on taxation

- Taxes are uniquely threatening among policies
Coca-Cola’s European Game Plan

Source: DCLeaks
The industry’s perspective on taxation

- Taxes are uniquely threatening among policies
- Regional and global diffusion of taxation is the concern
- Companies cooperate when it comes to fighting taxes
- Delaying new taxes and containing diffusion are viewed as “wins”
Industry stakeholders

Global and regional trade associations

Global and regional front groups

Regional and local bottlers

Local distributors and retailers

Local supply chains

“Astroturf” organizations
Global and regional trade associations
Our Mission

*Bringing scientists together to improve environmental sustainability and human health*

The International Life Sciences Institute (ILSI) Research Foundation is a non-profit organization that advances and disseminates science for public benefit.
Local "astroturf" groups

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Strategies to keep taxes off the agenda

Cultivating image as good corporate citizens
- Corporate social responsibility campaigns
- “Healthwashing” and “greenwashing” products
- PR and media campaigns

Getting a seat at the table
- Public-private partnerships
- Political lobbying and donations
- The “revolving door” between business and government

Proposing alternatives
- Commitments to reformulate products
- Proposing weak standards (e.g., sugar reduction pledges)
- Industry self-regulation pacts
Strategies once taxation is on the agenda

- Divide-and-conquer approach towards pro-tax coalition
- Well-funded media campaigns, may include deceptive claims
- Deployment of industry-funded scientists
- Threats:
  - Litigation (e.g., illegal restraints on trade)
  - Exiting the country’s market
- Trolling and harassment of pro-tax allies
THE RICHMOND BEVERAGE TAX IS UNFAIR — IT HITS POOR AND WORKING PEOPLE THE HARDEST

JAMES WASHINGTON, RICHMOND RESIDENT

ON NOVEMBER 6TH

VOTE NO ON THE RICHMOND BEVERAGE TAX

www.norichmondbeveragetax.com
Standard Scripts and Narratives

ECONOMIC ARGUMENTS

“Discriminatory” (unfair restraints on trade)
“Regressive” (disproportionately hurt the poor)
“A government ‘money grab’”
“Taxes harm businesses and the economy”
“Consumers should have freedom of choice”
“The drivers of obesity are complex/unclear”
“Obesity is caused by too many calories, not SSBs”
“Physical inactivity is the problem”
“Taxes don’t work” (don’t reduce SSB consumption, obesity)
The 2014 Mexican Soda Tax

- High stakes: Largest soft drinks market and first health tax
- Industry tried to prevent implementation:
  - Feared research would show the tax worked
  - Feared diffusion in Latin American
- Global and regional trade associations deployed: ICBA, FEMSA
- Battle of competing scientific narratives: ILSI
- 2017 UN High-Level Meeting on NCDs:
  - Government scientists found tax lowered consumption
  - Coca-Cola Global Affairs spins international press
  - All but US delegation endorsed soda taxes as evidence-based strategy

SOURCE: Pedroza-Tobias A, Crosbie E, Mialon M, Schmidt L: “Food and beverage industry interference in science and policy: efforts to block soda tax implementation in Mexico and prevent international diffusion BMJ Global Health 2021
Take-home points

- Industry opposition is likely to be fierce, but strategies and narratives can be anticipated.
- Expect regional and global industry actors to get involved.
- Expect industry to move from softball to hardball tactics as the tax policy moves forward.
- Standard industry economic and health narratives can be countered by growing evidence on the success of real-world tax policies.
Country reflections - Mexico

Dr. Adolfo Martinez Valle

Professor, Policy, Population and Health Research Center
National Autonomous University of Mexico and Convener of the JLN
Do SSB taxes harm business?

Dr. Lynn Silver

Senior Advisor, The Public Health Institute
Clinical Professor, University of California San Francisco
Let’s not Sugarcoat This: Overcoming Opposition to Taxes on Sugary Drinks

World Bank
December 9, 2021

Lynn Silver, MD, MPH
Senior Advisor
The Public Health Institute
Clinical Professor, U. California San Francisco

Fact vs Fiction
Business, Employment and Economic Impacts of SSB Taxes
FACTS vs FICTION
Fiction
Philadelphia: Industry Mobilizes Unions to Claim Job Loss Threat

“The passage of this proposal will result in the swift departures of the Pepsi and Coca-Cola operations in the city, the loss of many family-sustaining jobs, and a consumer revolt.”
South Africa Industry Opposition

Corporate actors combined a host of scientific malpractice strategies to claim that the tax would:

- Trigger tens of thousands of job losses concentrated in small-scale farms and informal convenience stores
- Reduce employment growth
- Exacerbate the broader fiscal and societal costs associated with unemployment (by, for example, reducing the overall tax take);
- Damage the competitiveness of the beverage industry;
- Undermine South Africa’s National Development Plan
- Trigger business failures across the supply chain;
- Reduce revenue for farmers;
- Dissuade international investors from investing in South Africa;
- Increase the risk of a credit downgrade

San Francisco

Steady Employment Growth in 2 years Post Tax

“Up to two years post-tax, we do not find evidence that the San Francisco SSB tax negatively impacted net employment, employment in the private sector, or employment in specific SSB-related industries”


https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0252094
México Employment Declined in Years before Tax in SSB Industry and Steady in 2 years Post-Tax

México Employment in Commercial Food and Beverage Stores 2011-2015 1 year Post tax

México National Unemployment Rate 2005-2017 Rose before and declined after Tax

3 years Post tax

Philadelphia – No Increase in Unemployment Claims 1 year Post Tax

Berkeley – Food Sector Revenue Rose 15% and Food Jobs 7.2% One Year Post Tax

(Silver, 2017)
No Evidence of Employment Loss Due to SSB Tax in Independent Studies to date
Other Economic Impacts – Substitution Effects or Reallocation

- Increased demand for untaxed products
  - Water
  - Non-nutritively sweetened beverages
  - Other foods, consumer products or services
Other Economic Impact –
Gains in Productivity

Predicated on success of SSB taxes in reducing obesity and noncommunicable diseases and consequent losses in productivity

Modelling studies suggest strong positive impact on health adjusted life-years and productivity gains

Example: equal to 1.9% of total health expenditures in Australia and 0.2% GDP

Empirical health impact studies not yet available
Other Economic Impact – Government Revenue

SSB Taxes generate substantial revenue, although revenue varies with tax model and as consumption falls or reformulation occurs.

Investments of revenue can also generate employment and positive economic impact.

Example: Indonesia modelling of 30 cent per litre tax would generate USD 920 million in Year 1 and USD 27 billion over 25 years (Basu, 2014).

Example: Tax revenue invested in childcare services in Philadelphia.
Conclusions

The best available science to date suggests no evidence of negative employment or economic effects

As full health impact of the policies mature, positive impact on productivity and health expenditures expected

Wise investment of government revenue can further strengthen the net economic impacts
Thank you

Thanks also to Libby Hattersley, Alan Fuchs, Alberto Gonima, and Kate Mandeville

lsilver@phi.org
Overcoming opposition to a sugary drinks tax

Mr. Mpho Legote
Director of VAT, Excise Duties & Subnational Taxes
Tax Policy Unit, National Treasury, South Africa
Country reflections - Kazakhstan

Ms. Jamilya Sadykova

Leader of the National Coalition for a Smoke-Free Kazakhstan
Questions & Discussions
The World Bank’s support to the Joint Learning Network for UHC is made possible with financial contributions from the following partners: