



An Analysis of the Role of Sugar Industry Leaders in the Formulation of Sugar-Sweetened Beverages (SSBs) Excise Tax using Advocacy Coalition Framework (ACF)

Samantha Ching

¹ Political Science Department, De La Salle University – Manila
*samantha_franchezka_ching@dlsu.edu.ph

Abstract: This study analyzes the case of the Philippines in enacting its sugar-sweetened beverages (SSBs) excise tax policy through the lens of Advocacy Coalition Framework (ACF). To examine the dynamics among policy actors that occurred during the agenda-setting and formulation stages of the SSB tax policy, this study uses the ACF and its concepts to look into the advocacy coalitions that sought to protect their interests. This paper not only contributes to the literature on governments adopting SSB related policies, it also provides an analytic focus on the success of the local sugar industry coalition against beverage manufacturing companies in translating their beliefs into public policies. The study reinforces the complexity of the public policymaking process and its vulnerability to policy actors who, with their resources and strong political clout, were able to influence even a measure that is intended to protect public health.

Key Words: sugar-sweetened beverages; excise tax; local sugar industry; advocacy coalitions; beliefs

1. INTRODUCTION

The approval of the Global Strategy on Diet, Physical Activity, and Health by the World Health Organization (WHO) in 2004 began the trend among governments to tax sugar-sweetened beverages (SSBs) (Nugent & Knaul, 2006). SSBs refer to non-alcoholic beverages of any concoction that are pre-packaged, sealed, and contain caloric and/or non-caloric sweeteners added by the manufacturers. The current food environment allows uncontrolled consumption of these sugary products which contribute to one's chances of being obese, or developing diabetes or tooth decay (WHO, 2016). Specifically, daily consumption of 1 to 2 cans of sugary drinks increases the risk of developing type 2 diabetes by 26% (Malik, Popkin, Bray, et.al., 2010). The Centers for Disease Control and Prevention (CDC) (2017) reports that frequent consumers of SSBs are reported to have less healthy diets and lifestyles. In

the US alone, 63% and 40% of the youth and adult populations, respectively, drank SSB on a given day from 2011 to 2014 (CDC, 2017). These figures are matched by the Institute of Medicine of the United States' (2012) report that the leading cause of obesity and diabetes in the country is the growing consumption of SSBs.

Consequently, WHO (2019) reminds policymakers that the tax type and tax structure to be introduced for SSBs must be designed to well serve its purpose. This is driven by the fact that the public health rationale is being used by governments to leverage revenue generation efforts (Sassi & Belloni, 2014). However, there is no single model for a tax design and structure for SSBs. For example, Mexico, known for its obesogenic population, introduced in 2014 a Mexican peso/liter excise tax on non-alcoholic beverages with added sugar in a bid to curb its population's SSB consumption – recognized to be the leading in the world according to Euromonitor International (as cited in Donaldson, 2015).



Meanwhile, the United Kingdom followed suit in 2016 and implemented a two-tiered tax policy that targets beverages with high-sugar content (Lean, Garcia & Gill, 2018). While both strategies have the same goal of reducing sugar intake, the results may differ as some studies point that taxation based on sugar content is the effective way to go if the goal is to reduce sugar consumption while taxation based on volume is more ideal for revenue generation (Francis, Marron & Rueben, 2016).

In the Philippines, where SSB consumption rose by 44% from 2005 to 2015 (as cited in Onagan, Ho, & Chua, 2018), legislators who introduced the proposal to tax SSBs saw the opportunity for it to be enacted into law by anchoring the proposal's goal to support "human capital development and ongoing universal healthcare reforms" to the Comprehensive Tax Reform Program (CTRP) of President Rodrigo Duterte (Onagan, Ho, & Chua, 2018).

In 2017, the Philippines joined the bandwagon when it approved to tax SSBs under the Tax Reform for Acceleration and Inclusion (TRAIN) Act. The excise tax imposed on SSBs using purely caloric sweeteners and purely non-caloric sweeteners, or a mix of both, is 6php/liter of volume capacity, while for beverages that use purely high-fructose corn syrup (HFCS) or in combination with any caloric or non-caloric sweetener is 12php/liter of volume capacity. Evidently, the nature of the enacted policy effectively became a protective measure for the local sugar industry that was facing demand challenges from the massive importation of HFCS by beverage manufacturers in the country, and at the same time a revenue generating mechanism for the government. In a bid to curb its obesity and diabetes incidence, the obesogenic environment in the country, in the process, was spurred by politically powerful groups who sacrificed public health for their private interests.

Critical legislations such as fiscal measures are a product of the public policymaking process which involves actors with conflicting values and interests. As such, this study contributes to the literature on governments that have taken steps in implementing an SSB tax policy. Although previous studies on this issue have examined, for one, the various tax strategies adopted by other governments and the coalitions that formed to either support or lobby against the proposal, there has not been a study on the

case of the Philippines, particularly on how an advocacy coalition victoriously protected its interests and turned its beliefs into a public policy.

This study will provide significant insight on the interaction among stakeholders during the SSB excise tax formulation through the Advocacy Coalition Framework (ACF), a prominent framework in public policy that delves into the phenomenon where people turn their beliefs into public policies by forming coalitions with like-minded individuals (Sabatier, 1988). The formulation of the SSB excise tax policy involved a series of bargaining and lobbying activities by advocacy coalitions, particularly local sugar industry leaders against beverage manufacturing companies in the Philippines, who want their interests to be reflected and protected in the policy outcome. The ACF will enable another contribution by guiding the study to have an analytic focus on the successful efforts of sugar industry leaders that led to the effective abandonment by beverage companies of the use of HFCS to favor local sugar.

Ultimately, this study will emphasize that policy formulation and decision-making are processes that consist of heavy bargaining among actors within a subsystem, and oftentimes these processes are not geared towards choosing the optimum from a pool of alternatives.

2. MATERIAL AND METHODOLOGY

2.1 Research Design

This research has a qualitative design and used the case study approach which centered on the local sugar industry leaders, their narrative against the use of HFCS and strong political clout, and how the interplay of interests was reflected during the formulation stage of SSB excise tax policy. This method allowed the study to delve into the formation of a group consisting of like-minded individuals to influence policies and decision-makers through the use of Advocacy Coalition Framework (ACF).

Further, a deductive research strategy was used to test the hypotheses derived from the ACF that permitted the study to have a discursive argumentation based on evidence from secondary and tertiary sources used for data gathering.



The Advocacy Coalition Framework is well-suited for the qualitative research design but that is not to say that studies using the ACF approach are limited on the qualitative tradition. However, this study's contribution to ACF is the dynamics of the competing groups and describing such social phenomenon in policymaking cannot be easily captured through quantitative means.

2.2 Data Gathering & Methods of Analysis

The study was confined to use secondary and tertiary qualitative data from documents that were results of the activities of the stakeholders involved in the formulation of SSB excise tax policy from 2015 to 2017. There were a total of 17 documents examined consisting of official and public documents such as legislative bills, consultation proceedings published by official media channels, congressional bulletins, and statements from government officials and interest groups.

Particularly, relational analysis, a major type of concept analysis, was carried out on these documents. The main focus of relational analysis is to look at the concepts found in the documents, and are further analyzed by how the content/concepts relate to one other. The choice of concepts was based on the Advocacy Coalition Framework was used in this study to examine the relationships among coalitions that were formed and how their resources, interests, and attempts to dominate the narrative influenced the outcome of the SSB excise tax policy.

In examining the interplay between the coalitions and policy brokers, the concepts captured were categorized into: beliefs of the advocacy coalitions, resources utilized, the strategies they undertook to influence the decisions of government authorities, and the policy outcome (adopted from Sabatier, 1988).

3. RESULTS AND DISCUSSION

3.1 Historical Background of SSB Tax in the Philippines

The proposal to impose taxes on sugar-sweetened beverages (SSBs) dates back to the 16th Congress when House Bill 3365 was filed to impose a ten percent (10%) ad valorem tax on soft drinks and carbonated drinks per liter of volume capacity. The beverage industry, at that time, was already subject to common taxes but the proposal envisioned to have the amount collected be designated as fund for rehabilitation programs for victims of calamities. Nonetheless, the bill recognized the link between consumption of these drinks and the increased risk of developing health problems such as diabetes and obesity, among others.

Following a series of hearings and meetings on the measure, the House Committee on Ways and Means approved an unnumbered substitute bill that allocated the collected amount to a health promotion fund instead (Press and Public Affairs Bureau, 2015). However, the bill was not further deliberated upon given that 2016 was the year for national elections and former President Benigno Aquino III vowed not to introduce new tax rates or increase existing ones (Diaz, 2015).

In the 17th Congress, House Bill 292 proposed to impose an excise tax of ten pesos on SSBs, the rate of which shall be increased by 4% every year upon implementation. To earn the support of legislators, the bill's revenue generating nature was anchored on the new administration's goal "to pursue reforms in income tax rates".

Indeed, the proposal earned the support of the Executive Branch which was, at that time, taking the lead in crafting the administration's Comprehensive Tax Reform Program (CTRP) that would fund the government's massive infrastructure project in an effort to catch up with its regional neighbors in infrastructure development. Hence, the government had to come up with revenue generating mechanisms that would fund the PHP 8 trillion (at the time of its announcement) infrastructure project until 2022. Consequently, the administration supported the proposal that was further backed by the National Tax Research Center (NTRC) (2017) which ruled that "a tax on sugary drinks is an essential element of a comprehensive approach to address poor diets and obesity as well as to fund health-related programs of the government" (p.11).



The standalone bill proposing to tax SSBs – House Bill 292 – was incorporated in House Bill 5636 (substitute bill to earlier House Bill 4774) which was essentially the first package under the CTRP, and imposed the 10php on SSBs containing purely locally produced sugar while 20php was imposed on SSBs that use caloric and artificial sweeteners, particularly HFCS. The bill was approved on final reading before the House of Representatives on May 31, 2017. The bill was now passed onto the upper chamber.

Two weeks following the approval of House Bill 5636, the Senate Committee on Ways and Means held a public hearing on SSB excise tax attended by government agencies and interest groups. By November 28, 2017, Senate Bill 1592 was approved on final reading and, in its final form, imposed the amount of 4.50php/liter on beverages using purely caloric or non-caloric sweetener and 9php/liter on beverages that used HFCS.

As mentioned earlier, Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Act was signed into law on December 19, 2019 and imposed 6php/liter of volume capacity on beverages using purely caloric sweeteners and purely non-caloric sweeteners, while a 12php/liter was imposed on beverages using HFCS or in combination with any caloric or non-caloric sweetener.

3.2 Policy Actors and Advocacy Coalitions in the SSB Excise Tax Policy-making

The policy subsystem of the sugar-sweetened beverage proposal consisted of policy actors that were grouped between two coalitions: the pro-tax advocacy coalition and the anti-tax coalition. The first coalition consisted of the members of the House of Representatives and the Philippines Senate who were tasked to deliberate on the SSB proposal; the Department of Finance (DOF) tasked to lead the administration's CTRP; the Department of Health (DOH) whose mandate is to protect the public health and well-being of Filipinos; and the Department of Agriculture (DA) and its attached agency the Sugar Regulatory Administration (SRA) whose responsibility is to protect the welfare of Filipino sugar farmers. Under the first coalition is a sub-group called the local sugar industry coalition whose agenda

was to save the sugar industry from the massive importation and use of HFCS.

On the other hand, the anti-tax coalition consisted of the beverage manufacturing companies, its industry association, and an interest group representing small stores and eatery owners who sell SSBs as one of their products. This coalition anchored its agenda on the need to save their business from a potential slump due to higher tax rates.

The two groups of actors identified in the previous section are advocacy coalitions which are, as studied by Sabatier (1988), people from a variety of positions who share a particular belief system and show a non-trivial degree of coordinated activity over time. For the purposes of this study, the focus will be on the sugar industry coalition against the anti-tax coalition given that the pro-tax coalition consisted of the governmental authorities who were decision makers as well on the said proposal. Equally important, these governmental authorities were the entities that the sugar industry coalition and the anti-tax coalition were attempting to influence.

The sugar industry coalition dominated the narrative and capitalized on the exposé on the alleged massive use and importation of HFCS by beverage manufacturing companies. The coalition's belief stressed on the protection of the local sugar industry that was at risk of further decline in sugar prices and on the fear that the importation would eventually kill the industry. Even if the use of sugar was directly affected by the passage of SSB excise tax, the imposition of higher rates on the beverages that use HFCS forces beverage manufacturers to abandon the latter and shift to use locally produced sugar in their premix. In effect, the belief of this coalition was also anchored on the promotion of the use of local sugar.

Given the industry's longstanding history, federations of sugar planters and millers were already in place and efficiently mobilized to support the industry's cause. The Sugar Solidarity Against High Fructose Corn Syrup (SSA-HFCS) was formed and consisted of groups such as the Kilusang Pagbabago-Negros Island Region (KP-NIR), agrarian reform beneficiaries and small sugarcane farmers' associations, farm workers' organization, National Congress of Unions in the Sugar Industry of the Philippines, Trade Union Congress of the Philippines, National Federation of Sugarcane Planters, United



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Sugar Producers Federation of the Philippines, and Confederation of Sugar Producers Associations (SunStar, 2017).

The strong political clout of the sugar industry coalition also proved to be useful as some legislators, who expressed strong support, either have stakes or interests in the local sugar industry or hail from the top sugar-producing provinces in the country. A congressman from Negros Occidental was quoted saying that he will teach the beverage industry "a lesson on what they are doing, at the same time, protecting the industry of Negros" (Bayoran, 2016).

According to Birkland (2007), the venues that can be sought by groups are congressional hearings where the chairperson of the committee is known to be supportive of their position or through the executive branch, if they cannot appeal to legislators. However, the sugar industry was also firmly backed by the SRA with its issuance of an order that set guidelines for the issuance of clearance for the release of imported HFCS and chemically pure fructose. Equally important, the proposal to tax SSBs and its revenue generating nature was supported by the administration. Hence, the coalition had both the support of the executive and legislative branches.

Indeed, it was evident how the imposition of excise taxes on SSBs turned from a narrative on public health to an issue of competition between the local sugar producers and imported HFCS which was tagged as the culprit to the weakening state of the country's sugar industry. Evidently, it was at the agenda-setting stage when different groups are formed and would compete to put forward their belief systems in order to ensure that their depiction of the issue at hand remains at the forefront and that their proposed solutions are the ones constantly gaining traction (Birkland, 2007).

The anti-tax coalition, consisting of the beverage manufacturers and their industry association, the Beverage Industry Association of the Philippines, had its belief anchored on the argument that the tax was discriminatory against their business, and that the excise tax would be on top of the other taxes that businesses in the country are already complying with.

Among the resources that this coalition used was the formation of civil society group to voice their business interests. the Philippine Association of Sari-

Sari Store and Carinderia Owners (PASCO) was formed to defend the livelihood of store owners who, according to its spokesperson, would lose their businesses and would be an additional burden to the government in the process. Moreover, the group emphasized on the regressive nature of the tax proposal given that it is the poor who SSBs and have no means to afford 100% natural juices or 'Starbucks' beverages (Hearing on Sugar Sweetened Beverages Tax, 2017). Despite its efforts and strong display of commitment to partner with the local sugar industry by committing to reformulate their premix, the use of HFCS was still taxed higher in the final form of SSB excise tax under the TRAIN Act.

4. CONCLUSIONS

Sabatier (1988) argues that coalitions seek to translate their beliefs into public policies. As argued earlier, the imposition of higher taxes on the beverages with HFCS forces beverage manufacturers to abandon its use and shift to use locally produced sugar in their premix. Apart from this, the Sugar Industry Development Act (SIDA) of 2015 was identified to be among the programs that will receive funding from the 30% of the incremental revenues generated from the TRAIN Act. Indeed, the SSB excise tax policy was a mark of victory for the local sugar industry for their beliefs and strategies were triumphant in shaping the policy outcome.

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