

INSIGHT  
LATIN AMERICA

# Mexico

## What's the issue?

President López Obrador, who was elected in 2018, announced that during his six-year term no new licences would be granted to open any new casinos in Mexico. Since then he has renewed his push against the industry and has now proposed a complete ban on slots. So, what has the President of Mexico got against gambling?

Andres Manuel López Obrador or AMLO, as the president is widely known, was the first leftist candidate to be elected president in Mexico since the 1980s and vowed to tackle corruption and gang related crime in the nation, as well as to improve the conditions for the nation's poor.

After more than five years in office he has managed to keep a high approval rating of around 60 per cent. This is despite failing to deliver on many of his campaign promises giving rise to him often being referred to as the "Teflon president." One of his slogans famously included "Abrazos, No Balazos" ("Hugs, Not Bullets"), as a way to end the war on drugs.

The war was launched back in

2006 by President Calderon (2006-2012) who launched an army-led crackdown on drug gangs within days of taking power. However, López Obrador pledged to address the problem of organized crime by prioritising job creation and educational opportunities and reducing the size and scope of responsibilities held by the military.

Instead of taking Mexico's army off the streets AMLO has increasingly relied on the armed forces to deal with organised crime and militarization continues to advance. Furthermore during his term in office violent crime in the country has remained at terrifyingly high levels while wide swaths of Mexico are under the de-facto control of drug cartels.

In September 2019 [Obrador] announced that during his six-year term no new licenses would be granted to open any new casinos in Mexico. According to local media sources, the end of the licenses for new gambling operations was part of a gesture to Cardinal Rogelio Cabrera, then serving as head of the Mexican Episcopate.

However, he has delivered on many of his promises. The party he founded, Morena (National Regeneration Movement), was launched over 10 years ago and one of its primary aims was to reduce inequality. Labour reforms and an increase funding for social programs have increased the incomes of many Mexican families, helping to reduce poverty overall. Indeed the number of Mexicans living in poverty has fallen from 52 million to 47 million during his term in office while reforms have led to the lowest average unemployment rate in the country's history.

When it comes to gambling his message has been consistent. In September 2019 he announced that during his six-year term no



Big Time Gaming







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The Catholic Church has repeatedly requested that new casino openings be prevented. These calls intensified after the Casino Royale tragedy when a group of armed men attacked and then set fire to a licensed casino in Monterrey leaving 52 people dead in 2011.

In order to understand López Obrador's stance on gambling more fully one also needs to look into the granting of gambling

licences granted back in 2005 an issue which he has repeatedly used against his political opponents.

#### CHANGES TO MEXICO'S GAMBLING LAW

Mexico's gambling law The Betting and Raffles Law dates back to 1947. The law banned casinos and gaming throughout Mexico. In 2005 President Vicente Fox tried to overturn the act but managed only to insert an amendment in the form of an appendix to the old law. However this allowed for sports betting, as well as the opening of bingo halls and slot parlours nationwide.

The Mexican Secretariat for Home Affairs (SEGOB) was given

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responsibility for the granting of licences for these betting facilities. The decision was upheld by the Mexican Supreme Court in 2007.

The issue acquired a political dimension in May 2005 after it emerged that the then Head of SEGOB Santiago Creel, had granted a large number of licences to a subsidiary of media and telecommunications giant Televisa just days before announcing his resignation in order to stand as presidential candidate for Mexico's incumbent party – The National Action Party (PAN).

According to the opposition party Creel's actions were further, damning, evidence of the corrupt ties between the gambling industry and politicians.

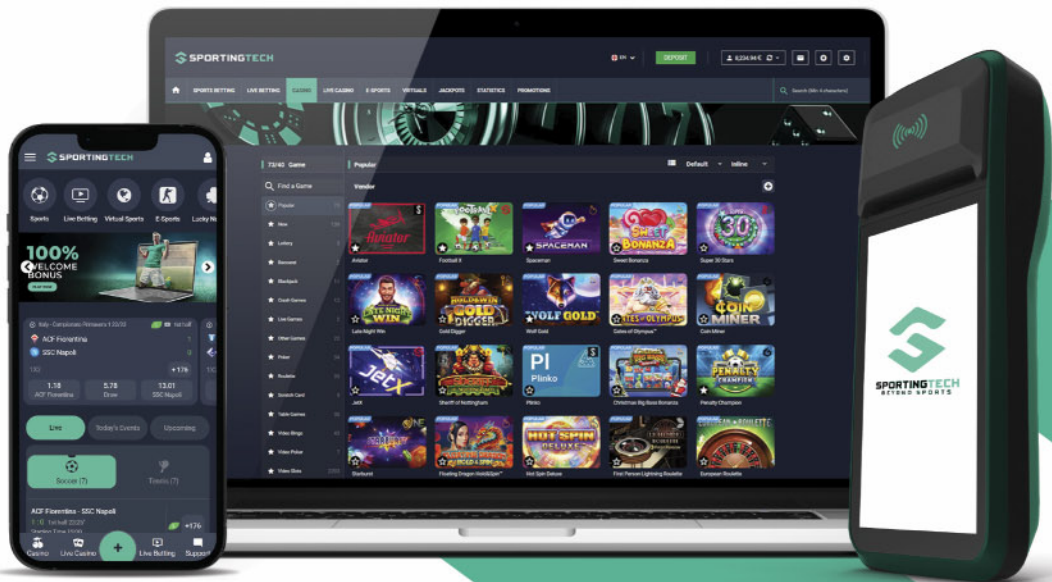


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The issuing of so many licences in such a short time has resurfaced many times over the years. In November 2020 López Obrador asked then head of SEGOB, Olga Sánchez Cordero, to carry out an

investigation into whether gambling licences had been issued unlawfully under previous administrations. The president said there were question marks over some of the licences issued under President Vicente Fox's administration saying the processes to award them had been 'inadequate.'

In May last year, during the daily presidential morning conference (in the absence of the president), Adán Augusto López Hernández, the newly appointed head of SEGOB, brought this issue up again. López Hernández accused Creel of granting 340 gaming licences while part of the administration of Vicente Fox. López Hernández raised the issue of the granting of licences back in 2005 partly to defend the

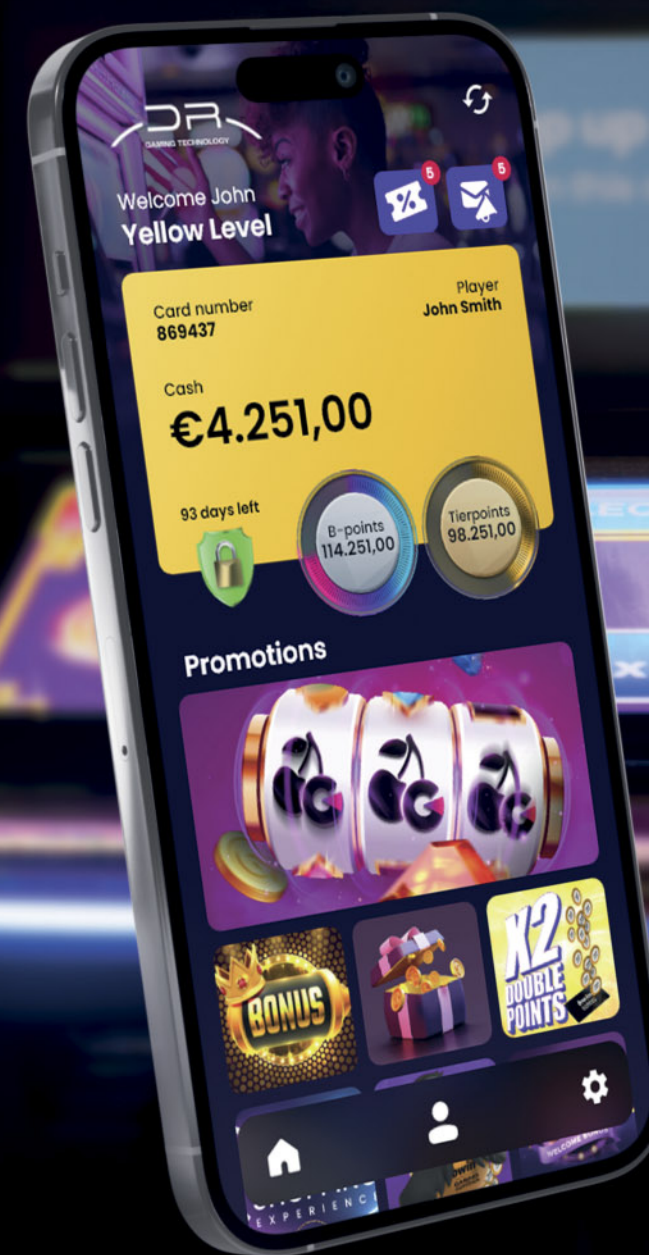
president's record on gambling but also to criticise Creel who had announced that he would be a presidential candidate in 2024 (he has since withdrawn from the presidential race).

"The casino business during the administration of Vicente Fox imploded, he granted 340 casinos, this is the largest number granted during the last administrations and even in the history of the country," López Hernández said. "Just to give you an idea, of those 340 casinos, 153 were granted during the period in which the Secretary of the Interior was Santiago Creel."

In March 2023, López Obrador warned that if any licences had been issued in the last four years of his administration, then they would be revoked. This was after



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Casino labour unions issued a stark warning that the ban could lead to as many as 100,000 job losses in Mexico, encourage the black market and incur losses to the treasury of almost \$5bn. Those opposed to the ban also argued that it would lead to a number of destinations in Mexico losing tourists.



the president was asked if he was really sticking to his gaming policy by a journalist who said that casinos had increased under his watch. Shortly afterwards he announced that he had ordered López Hernández to open an investigation into the granting of licences under his administration.

López Obrador has had to respond to some criticism over whether he has stuck to his gambling policy. During his administration states such as Baja California have looked to expand gaming without the authorisation of SEGOB and put in place their own set of rules especially when it comes to taxation. In February 2020 the government of the city of Tampico in the state of Tamaulipas said that it was looking at introducing casinos in order to bring back tourists and a new casino opened in Mexicali in the state of Baja California in 2023.

However, these are very isolated occurrences. In May last year the head of SEGOB defended the government's record arguing that during the term of the current administration no operating permits had been granted by the federal government and in fact, 47 casinos had been closed as they did not have permits and had also accumulated operational



irregularities linked to tax evasion.

Indeed López Obrador has fulfilled his promise when it comes to casino licenses. The number of licenses granted contrasts significantly with his predecessors. During the six-year term of Vicente Fox, 340 operating permits were granted for casinos. During the government of Felipe Calderón, 154 permits for casinos were authorized. During the administration of Enrique Peña Nieto, 123 licences were granted. López Obrador has granted none.

#### THE SLOT BAN

It has not been enough for AMLO to restrict the growth of the industry. In September last year SEBOG published a draft reform to Mexico's gaming laws calling for a ban on slot machines.

To justify the measure, the government argued that slots are not permitted under the 1947 act which only authorizes dominoes, chess, checkers, bowling, billiards, dice, bowling and raffles – and that Congress has not made changes to the bill since 1947.

In October, casino labour unions issued a stark warning over the decree arguing that the ban could lead to as many as 100,000 job losses in Mexico, encourage the black market and incur losses to the treasury of almost \$5bn. Those opposed to the ban also argued that it would lead to a number of destinations in Mexico losing tourists as they would choose to travel to other countries.

Despite this López Obrador banned slots in casinos and other gambling facilities via a decree in November.

The reform is not retroactive, so casinos will still be able to use them for the time remaining on their permits. These licenses can only have a maximum validity of 15 years. Once this time passes licenses won't be eligible for renewal or extension. Those licences which have been granted but have not been acted upon were cancelled. In addition no new casino licences will be allowed while licences for betting centres including those at racetracks, greyhound tracks and remote betting centres will only have permission to operate for a maximum of 15 years.

This means that the 444 casinos which currently operate in the country are only allowed to operate slot machines until their operating permits expire. Meanwhile, those 408 casinos which have licences



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but are not yet operational will not be able to operate slots at all.

Operators are, of course, fighting the ban in the courts with speculation growing that the final decision could be up to Mexico's Supreme Court. Legal representatives for a number of operators have asked the judiciary to declare as unconstitutional the decree and at least twelve permit holders and casino operators filed a writ of amparo (a legal claim in Mexico to make constitutional rights effective) in the last two weeks of 2023, to challenge the reform. More will surely follow.

Things might change once López Obrador's term ends in September. In Mexico presidents are limited for a single six year term and cannot be

re-elected. Much will depend on his replacement. Former Mexico City mayor Claudia Sheinbaum, the presidential candidate for the country's ruling leftist party and a close ally of the current president is currently leading the presidential race by a significant margin. She has yet to outline her position on gambling.

Meanwhile the President of the Association of Permit Holders, Operators and Suppliers of the Entertainment and Gambling Industry in Mexico (AIEJA), Miguel Ángel Ochoa has said that the association is working on two strategies to confront the ban. Firstly, the presentation of legal appeals, and secondly, the promotion of a new Federal Betting and Raffles Law.

Reform of Mexico's gambling will be hard to achieve. Lawmakers seemed close to finally changing Mexico's gaming laws in 2015 in the wake of the Casino Royale tragedy. Unfortunately this attempt ultimately failed to gather enough support in Congress.

López Obrador has stuck to at least one of his promises – no expansion of gambling under his watch. But in fact he has gone much further than this and beyond what many had anticipated. Slots make up around 85 per cent of the Mexican gambling industry. The slot ban coupled with the ban on new licences could well herald the end to the industry long term. Much will depend on how operators fare in the courts as they appeal the ban in the coming months.

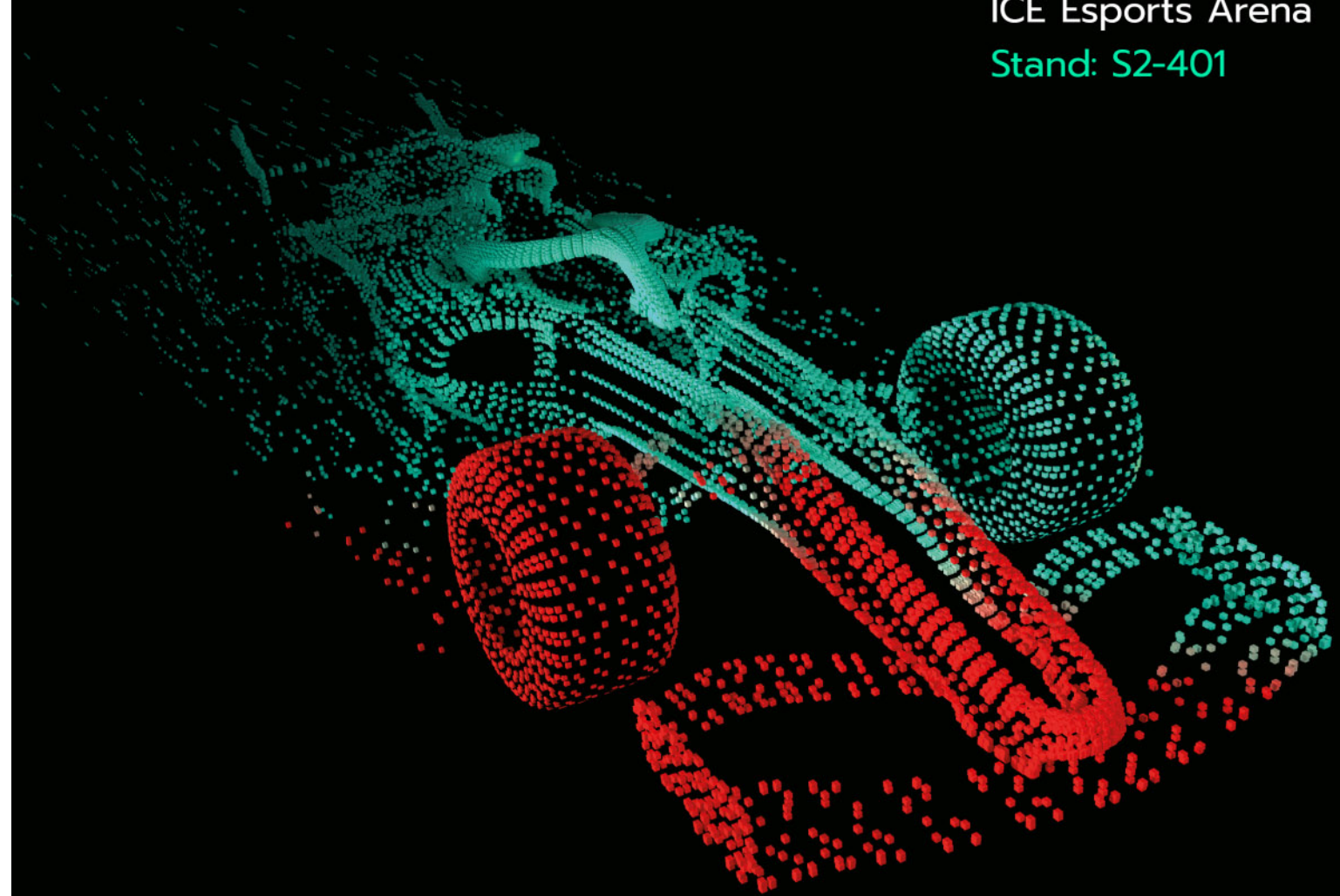
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