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MARKET STUDY ON THE MEXICAN MARKET FOR HOTEL AND RESTAURANT EQUIPMENT AND SUPPLIES

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1. BACKGROUND

Mexico is a country with close to 7,000 miles of coastlines, important archaeological sites, a great variety of museums, recreational sport centers and vacation resorts. The Mexican Government considers tourism one of its highest priorities since it creates a large number of jobs and generates foreign income in excess of $2.5 billion dollars annually, making it the second most valuable earner of foreign exchange.

Mexico had its first tourism surplus in 1945. Between 1946 and 1952 Mexico's tourism infrastructure grew to become one of the world's most important, through the development of roads, airports, new air routes to the U.S. and within the country, and through financial support to build hotels and restaurants. Major efforts were made to make Acapulco a competitive tourism resort. As early as in 1954, some of the most prominent resorts were identified, such as the Caribbean and the coasts of Jalisco, although it was to be many years later that these were to be developed. The first tourism plan was proposed in 1962 in order to promote a nationwide orderly development of the industry. Between 1966 and 1968, tourism was planned more thoroughly, identifying the potential areas of the Caribbean, Ixtapa, Los Cabos, Loreto and Huatulco for their gradual development.

The Tourism Infrastructure Promotion Fund INFRATUR (Fondo de Promoción de Infraestructura Turística) was created in 1969 to develop new tourism destinations. The National Trust Fund for Tourism Development (FONATUR) was created in 1973, and in 1974 the Tourism department was transformed into the Secretariat for Tourism (SECTUR). New tourism destinations began to flourish, such as the Caribbean (Cancún, Cozumel and Isla Mujeres), the Pacific coast (Ixtapa-Zihuatanejo and Manzanillo) and Baja California (Cabo San Lucas, San José del Cabo and La Paz) and the Acapulco convention center was built in 1973. A series of trusteeships were created to develop and build in certain areas, such as the states of Guerrero (Acapulco and Zihuatanejo), Nayarit (Bahía de Banderas), Jalisco (Puerto Vallarta), Quintana Roo (Xel-Ha and the Caribbean), Morelos (Tequesquitengo), Oaxaca (Puerto Escondido) and Baja California (La Paz and Cabo San Lucas).

However, it was not until 1979 that a series of efforts were made to reorganize the official tourism sector around the Federal Tourism Law, which properly regulated matters related to tourism areas, demand and supply, and which properly defined the functions of FONATUR. The National Tourism Plan came into effect, which defined the objectives and short and long term targets regarding tourism on a national and regional basis. In 1986, the extraordinary tourism resort of Cancún was created from a small fisherman's village and the basis was set for a similar development in Huatulco, on the coasts of Oaxaca. Tourism is now Mexico's top dollar earner after oil and is a huge revenue-generating industry that constantly grows larger. Over six million visitors now head here every year in search of sun, beaches, history, archaeology and hospitality.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years and has resulted in a drastic reduction of the inflation rate, from an annual rate of 159.2% in 1987 to 51.7% in 1988 and 19.7% in 1989. Inflation rebounded to 29.9% in 1990 but the Mexican government aims to achieve a 14% inflation rate in 1991, which seems a reasonable estimate based on an annual inflation rate of 13.3% as of October 1991. Along with the objective of consolidating the progress made in price stabilization, Mexico's macroeconomic policy in the short run aims to reaffirm gradual and sustained economic recuperation, basically by establishing the necessary conditions to encourage national and foreign investment and by stimulating local demand.

After the 1986 recession, Mexico's gross domestic product (GDP) increased a moderate 1.7% in 1987 and an additional 1.3% in 1988. Domestic economic activity recovered for the third consecutive year in 1989 with a growth rate of 3.1% and further 3.9% in 1990 to reach $234 billion (1). With an 81.1 million population, per capita GDP was estimated at $2,874 in 1990. Additionally, manufacturing output grew by 5.2% in 1990 in real terms, private investment and consumption expanded 13.6% and 5.2% respectively and public investment was up 12.8%. During the 1991-1994 period GDP is expected to maintain an average annual growth rate of 2.5%-3%. Preliminary figures for 1991 place GDP growth at 4.5%-5% for this year.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade liberalization process: import permits were eliminated on all but 198 of the total 11,812 tariff items based on the Harmonized System adopted in 1988. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% since January 1988. The weighted average tariff rate is now 10.4%. The automotive and computer industries have also been liberalized,

1. Note: All values in this report, unless otherwise stated (Mexican pesos, Mex$, Canadian dollars, Cdn$, etc) are quoted in United States dollar equivalents.

through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance in 1990 dropped once again to a $3 billion deficit from -$645 million in 1989. Exports increased by 17.5% in 1990, from $22.8 billion to $26.8 billion, while imports grew 27.3%, from $23.4 billion to $29.8 billion in 1990, having already increased 23.8% in 1989 and 54.9% in 1988. As of September 1991, total exports for the year amounted to $20.7 billion and imports to $27.2 billion.

Total Mexican imports from Canada increased 24% in 1989 and decreased 1.5% in 1990. Total Canadian exports to Mexico amounted to Cdn$594 million, while total Canadian imports from Mexico were valued at Cdn$1,730 million in 1990. According to Mexican figures, in 1989, 1.9% of Mexico's imports came from Canada, while 1.2% of its exports were to Canada. This makes Canada Mexico's fifth largest exporter and sixth largest importer.

3. MARKET ASSESSMENT

Mexico's total apparent consumption of hotel and restaurant equipment and supplies was valued at $140.9 million in 1990, reflecting a 13% increase over the $124.4 million purchased the previous year. This significant growth was mostly due to a 22% increase in imports, which reached $51.5 million in 1990 as compared to $42.1 million in 1989, $29.3 million in 1988 and $14.4 million in 1987. This was a result of Mexico's trade liberalization policies, which have made importing these products easier and cheaper, and to the rapid growth of the Mexican tourism industry. Domestic production, on the other hand, grew 4.8% to $120.9 million, of which 26% was exported.

TABLE 1
TOTAL APPARENT CONSUMPTION OF HOTEL AND RESTAURANT EQUIPMENT AND SUPPLIES
(thousands of dollars)

	1987	1988	1989	1990	1994p
Production	95,716	112,582	115,352	120,887	152,917
Imports	14,421	29,331	42,135	51,552	77,845
- Exports	16,037	28,000	33,073	31,536	39,065
TOTAL	**94,100**	**113,913**	**124,414**	**140,903**	**191,697**

Note: p=projected.
Source: Secretaría de Comercio y Fomento Industrial (SECOFI); own estimates.

The total demand of hotel and restaurant equipment and supplies is expected to grow eight percent annually between 1990 and 1994 as a result of major investments in the tourism sector (see Section 4). Total apparent consumption is expected to reach $191.7 million in 1994. Imports will continue to grow at a faster pace than domestic production due to the relative ease with which foreign products can now be imported, their superior quality and competitiveness compared to local products in the area of high-technology products and novelties. For 1994, imports are estimated at $77.8 million or 40% of total apparent consumption. Exports will continue to increase, since Mexico's traditional exports are well accepted, due to their lower prices. Mexican suppliers will have to maintain a high level of quality control if they are to maintain present export levels and their competitiveness in the local market.

Industry estimates indicate that total investment in hotel and restaurant equipment during the next five years will need to be in the order of $800 million based on 10,000 hotel rooms being constructed annually to reach the target set by the present administration of having 50,000 more rooms by 1995. According to this source, each hotel room of the high class categories (4 stars upwards) has an average building cost of $63,600, of which 35% is for room furnishings and supplies. Demand of selected items is estimated as follows for the next five years:

ITEM	(million U.S. dollars)
Furniture for the rooms	$ 58.2
Curtains, bed linen and comforters	$ 15.4
Carpets, lamps and room decoration	$ 32.7
Sanitary fixtures and bathroom	$ 79.3
Electricity, plumbing & carpentry	$ 58.0
Servi-bar, TV, stereo, etc.	$ 56.4
Kitchen appliances and equipment	$ 55.3
Carpets and general decoration	$ 86.4
TOTAL	**$441.7**

Total imports of hotel and restaurant equipment and supplies can be divided up into the following categories:

TABLE 2
IMPORTS OF HOTEL AND RESTAURANT EQUIPMENT
(thousands of dollars)

	1987	1988	1989	1990
TABLE & KITCHENWARE	174	2,253	3,283	4,313
GLASSWARE	96	221	249	702
KNIVES & BLADES	445	1,014	2,045	1,526
TABLESETS	108	655	1,426	1,367
KITCHEN ARTICLES	131	1622	2709	2,716
BED, TABLE & BATH LINEN	164	613	1,665	1,872
DECORATION	846	3,666	3,579	4,585
FOOD PROCESSING EQUIPMENT	6,633	7,147	10,176	14,270
FURNITURE	123	1,272	3,058	3,935
AIR CONDITIONING EQ.	171	511	703	827
REFRIGERATORS & FREEZERS	931	2,582	3,436	3,924
HEATING & COOKING EQ	892	1,995	2,377	2,948
WASHING & DRYING MACHINES	1,371	2,589	3,471	3,858
COMPUTERS & TELECOM.	2,336	3,191	3,958	4,709
TOTAL	14,421	29,331	42,135	51,552

Source: Import-export data by SECOFI

This table clearly shows the dramatic increases in imports of the majority of these product areas between 1987 and 1990, in particular those which were most protected by restrictive import policies before the 1987 reforms [2].

The U.S. is by far the most important supplier of this type of equipment and supplies to Mexico, with a 65% market share. Geographic proximity has played an important role in this leadership. It reduces freight costs, permits more timely delivery and offers prompt availability of parts and service. Mexican buyers are also more familiar with U.S. products and brands in general and often visit trade shows in the U.S. to shop for the latest novelties. At the same time, many of the hotel chains established in Mexico are American.

The most important competitors, besides the U.S., are France (glasses, tableware, linen), Italy (lighting fixtures, food processing equipment, dishwashers), the Netherlands (food

2 It is interesting to note that total imports in all of the above categories amounted to $300 million in 1988, up 180% over 1987 levels, and to $454 million in 1989 and $564 million in 1990, reflecting an additional 51% and 24% increase respectively. Based on several trade interviews with manufacturers, distributors, end users and the Mexican Association of Tourism Suppliers (AMAIT), it was possible to estimate which proportion of this total was purchased by hotels and restaurants as opposed to households, commercial establishments, hospitals, food processors, etc.

processing equipment), West Germany (glasses, cutlery, lighting fixtures, food processing equipment, air conditioning, heating equipment), the United Kingdom (food processing equipment), Canada (ceramic sanitary fixtures and tableware, furniture, heating & cooking equipment, refrigerators), Japan (china, tableware, carpets, air conditioning), Switzerland (knives, food processing equipment), Brazil (knives, cooking equipment), Panama (linen, refrigerators), China (carpets) and Korea (washing machines).

TABLE 3
CANADIAN IMPORTS AND EXPORTS OF HOTEL AND RESTAURANT EQUIPMENT
(Thousands of Canadian dollars)

	IMPORTS FROM MEXICO			EXPORTS TO MEXICO		
	1988	**1989**	**1990**	**1988**	**1989**	**1990**
SANITARY FIXTURES	5,243	4,343	2,505	24	0	0
TABLE & KITCHENWARE	200	284	421	6	0	0
GLASSWARE	700	689	1,423	0	0	0
KNIVES & BLADES	161	0	0	0	0	0
TABLESETS	0	0	2	0	5	0
KITCHEN ARTICLES	1,353	419	526	23	13	0
BED, TABLE & BATH	313	294	528	15	150	0
DECORATION	6,277	9,815	5,486	115	83	173
FURNITURE & LIGHTING	264	720	847	41	18	5
FOOD PROCESSING EQ.	1	9	8	81	521	11
AIR CONDITIONING EQ.	14,046	17,006	985	0	45	480
REFRIGER. & FREEZERS	199	114	69	0	220	122
HEATING & COOKING EQ	120	1,081	1,733	0	320	158
WASHING & DRYING MACH	681	567	37	2	0	0
COMPUTERS & TELECOM.	0	1	103	1,707	1,528	1,463
TOTAL	**29,558**	**20,042**	**14,673**	**2,014**	**2,903**	**2,412**

Source: Statistics Canada-International Trade Division

According to Mexican statistics, Canada's import market share of hotel and restaurant equipment increased from 1.2% in 1988 to 2.2% in 1989. In 1990, this share decreased to 2%. Products imported from Canada include ceramic ware for table, kitchen and toilet, cut drinking glasses, cutlery and tablesets, bed and table linen, carpets of man made fibers, lamps, enameled kitchen articles, meat processing machines, air conditioning equipment for wall and window, microwave ovens, cooking equipment and washing machines.

According to Canadian statistics, Canadian exports steadily increased between 1987 and 1989, at an average rate of over 20%, but decreased slightly in 1990, to $2.4 million. However, Canadian exporters have not taken the full advantage of Mexico's liberalization policies and tourism growth to promote their products more aggressively in Mexico. Canadian exporters could participate in trade shows staged in Mexico, make periodical visits to the large hotel chain managers, and consider the possibility of joint ventures and/or licensing agreements as potential tools to penetrate the Mexican market, as well as consulting services with particular emphasis on design, quality control and new product introduction. Mexican regulations allow, on a case by case basis, a portion of the production of in-bond (maquiladora) plants to be sold in the Mexican market. This portion amounts up to 20% on average.

Best prospects for foreign made equipment include hotel china, ceramic tableware, cutlery, icemaking machines, coffee and tea makers, dishwashers, vending machines, scales, food processing equipment for bakery, meat, fruits and vegetables, mixers, bakery ovens, microwave ovens, sanitary fixtures, tableware sets, lead cristal glasses, bed and table linens of man made fibers, towels, blankets and comforters, carpeting for hotels, kitchen articles, stainless steel kitchen furniture, wood bedroom furniture, window and wall air conditioning units, commercial refrigerators and freezers, water purifiers, toasters, gas cooking equipment, washing machines, vacuum cleaners, software for hotel and restaurant management and telecommunications equipment.

4. END USERS

Mexico's tourism sector represents three percent of the country's GDP and generates 533,000 direct jobs and 1.33 million indirect ones. It employed direct or indirectly 1 of every 12 Mexicans. Mexico accounts for 2% of total world tourist income, estimated at over $200 billion in 1990, and ranks ninth in the world as a destination for tourists, with 1.7% of the total 380 million world tourists. In 1989, 6.34 million foreign tourists visited Mexico, a 11.4% increase over 1988, and spent $2.93 billion, up 15% over the $2.54 billion of the previous year. In 1990, 6.7 million foreign tourists visited Mexico (a 5.4% growth) and spent $3.4 billion, 17.2% above 1990 levels. It is expected that 1991 will bring 7.5 million visitors to generate an income of $3.6 billion.

Border tourism represented an additional income of $2 billion from 67 million tourists. Additionally national tourists, which are rapidly increasing, were estimated at 37 million in 1990, up from 35.5 million the previous year. Approximately 1.2 million cruise passengers visited such coastal resorts as Cozumel, Puerto Vallarta, Cabo San Lucas, Mazatlán, Ensenada, Acapulco and Zihuatanejo on 1,400 voyages. Foreign tourists spent an average of $540 per person per trip, or about $46 a day in 1990. The trend has been towards slightly longer stays, averaging 11 days, and higher average expenses. An average 87% of foreign tourists travelling to Mexico come from the U.S., 6% from Canada, 4% from Latin America and 3% from Europe.

The Mexican hotel and restaurant industry is mostly owned and managed by the private sector and in the past years, state owned hotel interests have been sold to private investors (such as the Presidente hotel chain to Stouffer hotels). Mexican Government agencies such as the Council of National Resources for the Assistance of the Youth (CREA) and several worker's unions own and manage hotels in the most important local resorts. They offer special discounted rates to their affiliates and groups. Mexican banks also maintain substantial interests in hotels and in some cases are investing in the construction of new hotels.

4.1 HOTELS

The Mexican hotel industry is ranked eighth worldwide in number of rooms. It presently consists of 7,514 registered hotels and motels offering 308,992 rooms. This is a 4% decrease as compared to 1990, because of the reductoin of the number of small and medium sized hotels, despite the growth in large high class hotels. However, it still represents a 52% growth over the 5,300 establishments and 262,000 rooms of 1983 and a dramatic increase over the 76,000 rooms of 1960. This industry is expected to grow by 3%-4% annually in the next four years as a result of increased investments in the sector, led by the Mexican Government's support. The administration of President Salinas has defined tourism as the most promissory source of economic growth and has established a 5 year target to almost duplicate the number of tourists to 10 million a year by 1994 with a total income of $5 billion.

Mexico's hotels and motels can be divided into categories as follows:

CATEGORY	NO. OF ESTABLISHMENTS		NO. OF ROOMS	
	1989	1990	1989	1990
Special Class	23	25	3,756	3,777
Grand Tourism	17	18	6,343	7,472
Five Stars	126	127	30,815	29,901
Four Stars	379	378	43,075	42,295
Three Stars	774	752	43,284	42,394
Two Stars	1,199	1,168	46,089	44,405
One Star	1,155	1,021	35,855	32,812
Economy	1,863	1,710	45,759	42,685
Other	2,435	2,315	66,999	63,251
TOTAL	**7,971**	**7,514**	**321,975**	**308,992**

Source: CONCANACO-SERVYTUR: Panorama de la Actividad Turística en México 1989, 1990.

The hotels offering the highest export opportunities to foreign suppliers are those in the first four categories, amounting to 548 hotels with 83,445 rooms. These are the ones which cater to international and wealthy local tourists. They are the ones with the largest turnover in supplies and the largest buyers of new equipment.

A significant number of rooms are supplied by time-sharing establishments, an area in which Mexico holds the second place worldwide, after the U.S., with 7% of total world supply. There are 234 such establishments, with 13,227 apartments. Growth in this segment has averaged 14% in the last six years and is expected to continue growing rapidly. Most of these units are located in areas with a high tourism density, such as Puerto Vallarta (19.8%), Cancún (13.8%), Mazatlán (12.9%), Acapulco (8.6%), Manzanillo (7.8%), Ixtapa (10.3%) and Los Cabos (6.9%) There are 11 projects for the development of 429 time-sharing apartments in 1990, whether through new construction or through the remodeling of existing hotel rooms. They are located mostly in Los Cabos, Ixtapa, Puerto Vallarta and Avapulco..

There are approximately 257 trailer parks in Mexico. These parks are mainly used by U.S. tourists an most of them are located at border resort areas.

Ten marinas were built within the last five years, with an investment of Mex$195 billion pesos, generating 16,000 jobs. Between 1981 and 1989, the Secretariat of Communications and Transportation granted 28 concessions to build marinas in Mexico, and another 47 are being reviewed. They are concentrated in the states of Baja California, Quintana Roo, Jalisco, Colima and Guerrero. New reforms were made to the law, allowing tourists to bring their boats into Mexican waters and leave them for five years. This will generate new demand for marinas in Mexico and a new source of income, since it is estimated that every boat generates $10,000 per year. During 1990, 50 concessions were requested from the Mexican port authorities, the most important of which are for the construction of three marinas, with real estate and commercial developments in Zihuatanejo, Ixtapa and La Salina, Ensenada, for a total investment of $4.4 billion, representing 15% of total projected investments in the 50 requests.

There are 38 major hotel chains in Mexico, 21 totally owned by Mexicans and 17 with 49% foreign ownership. These include the following chains:

	G.T.	5*	4*	3*	ROOMS	PROJECTED HOTELS
Aristos		3	3		1,345	1
Best Western		5	24		3,450	6
Calinda		3	9	1	2,219	4
Camino Real/Westin	4	7			3,548	1
Casteles de México		3			437	
Club Mediterrannée		5	5		2,168	1
Del Prado			7		1,062	
Fiesta Americana	12				4,668	3
Fiesta Inn		1	4		703	
Hilton International	3				950	
Holiday Inn	4	11			5,145	
Howard Johnson		1	2		860	
Hyatt International		6			2,223	5
Krystal	3	1			1,515	2
Marriot	3				1,176	3
Meliá	2	4	1		2,044	
Misión		5	4	3	1,759	2
Quinta Real		3			172	3
Paraíso Radisson		5			1,279	3
Ramada Inn		5		3	345	
Real de Minas		3	2		895	
Riviera del Sol		1	1		328	2
Sheraton	2	4			2,841	
Sierra Intercontinental	3				857	
Stouffer Presidente/	1	6			2,305	3
TOTAL	**37**	**82**	**62**	**7**	**44,294**	**39**

Note: *=Stars, G.T.= Grand Tourism
Source: Guías Turísticas Banamex - 1989

Mexico is liberalizing its laws to attract foreign capital to build the 50,000 hotel rooms needed to meet its target. The new Law to Promote Mexican Investment and to Regulate Foreign Investment enacted May 1989, eliminates much cumbersome red tape and makes it much easier to set up a new company in Mexico. It also allows foreign investment of up to 100% in tourism, as opposed to the previous 49%. Foreign owned real estate along the Mexican borders or coastlines must be held in trust. This Law regulates direct ownership of land located 100 kms. from the border and 50 kms. from the coastline. To allow foreign financial development of this land, the Mexican Government created a real estate trust ("Fideicomiso") that enables its beneficiaries to enjoy the unrestricted use of the land and buildings for a renewable period of 30 years provided they make new productive investments for tourism or industry.

The total number of establishments is classified into seven major geographic categories:

Zone 1 includes Mexico's three largest cities and their surrounding metropolitan areas: Mexico City (D.F.), Guadalajara and Monterrey;

Zone 2 includes Mexico's major resorts:

Acapulco, Gro.	Los Cabos, BCS
Ixtapa-Zihuatanejo, Gro.	Loreto-Nopolo, BCS
Cancún, Q.R.	Manzanillo, Col.
Cozumel, Q.R.	Mazatlân, Sin.
Ensenada, BCN	Puerto Vallarta, Jal.

Zone 3 includes tourist areas to be developed:

Bahía de San Carlos, Sin.	Mérida, Yuc.
Puerto Peñasco	Isla Mujeres
Guaymas, Sin.	Oaxaca, Oax.
Bahía de Keno	Puerto Angel, Oax.
The coasts of Quintana Roo	Puerto Escondido, Oax.
The coasts of Nayarit	Bahías de Huatulco, Oax.
The coasts of Jalisco	Palenque, Chis.
Chichen-Itza, Yuc.	San Felipe
Uxmal, Yuc.	Taxco, Gro.

Zone 4 includes smaller cities where the Government has invested in some aspect of tourism development:

Altamira	Poza Rica, Ver.
Ciudad Madero	Veracruz, Ver.
Ciudad del Carmen, Camp.	Salina Cruz
Coatzacoalcos, Ver.	Villahermosa, Tab.
Minatitlân	

Zone 6 includes states with considerable foreign influence:

Baja California Norte	Nuevo León
Baja California Sur	Sonora
Chihuahua	Tamaulipas
Coahuila	

Zone 5 includes Mexican states considered to have a high potential for tourism development and Zone 7 those with some tourism development potential.

The following table lists the number of hotels and rooms in the most important tourism states for 1990 and in all states in 1988.

ZONE	STATE	HOTELS 1988	ROOMS 1988	HOTELS 1990	ROOMS 1990
7	Aguascalientes	51	1,770		
6	Baja California N	347	15,011	361	15,844
6	Baja California S	109	5,122		
5	Campeche	72	2,046		
7	Coahuila	159	5,545		
7	Colima	111	4,351		
5	Chiapas	231	6,138		
7	Chihuahua	262	8,346	254	8,238
1	Distrito Federal	604	41,615	596	40,634
7	Durango	119	3,178		
5	Guanajuato	269	10,095	272	10,246
7	Guerrero	459	25,975	470	25,870
7	Hidalgo	135	3,597		
7	Jalisco	639	31,144	646	33,187
7	Mexico	219	8,332	235	8,890
5	Michoacán	368	11,027	372	11,181
5	Morelos	185	5,562		
7	Nayarit	183	4,698		
7	Nuevo León	73	5,033		
5	Oaxaca	239	7,319	253	8,019
7	Puebla	195	6,908	213	7,310
7	Querétaro	103	4,450		
7	Quintana Roo	214	13,258	254	17,583
7	Sn Luis Potosí	153	4,904		
7	Sinaloa	243	12,115	220	11,264
6	Sonora	247	10,885		
7	Tabasco	123	4,476		
7	Tamaulipas	324	10,471	333	10,930
7	Tlaxcala	42	1,036		
5	Veracruz	784	23,314	712	20,263
5	Yucatán	130	4,794		
7	Zacatecas	115	3,052		
	Other			2,323	79,533
TOTAL		**7,507**	**305,567**	**7,514**	**308,992**

Source: CONCANACO-SERVYTUR: Panorama de la Actividad Turística en México, 1990.

As can be seen from this table, the state of Veracruz has the largest number of registered hotels however, Mexico City offers the highest amount of rooms. Other states with significant hotel accommodations are Guerrero (Acapulco and Ixtapa), Jalisco (Guadalajara), Baja California Norte (Ensenada, Tijuana) and Quintana Roo (Cancún, Cozumel). The states with the largest growth in rooms during 1989 were Jalisco (10,675 rooms), Quintana Roo (3,876), Chihuahua (3,676), Baja California Norte (772), Oaxaca (638), Tamaulipas (423), Mexico (342), Puebla (327) and Guerrero. (235). Statews which showed an increase in rooms in 1990 were Guanajuato, Jalisco, México, Michoacán, Oaxaca, Puebla, Quintana Roo (33% as compared to 1988) and Tamaulipas. States that will be developed in the future include Oaxaca (Huatulco, Oaxaca), Guerrero, Quintana Roo (Cancún) and Baja California Sur (Los Cabos). Approximately 60% of foreign tourists registered in hotels visited beach resort areas.

The average percentage of hotel occupancy in Mexico's principal resorts is as follows:

RESORT	1985	1986	1987	1988	1989	1990*
Acapulco	50.0	50.3	55.3	50.6	52.2	44.6
Cancún	72.1	81.1	83.5	55.8	57.1	68.2
Cozumel	55.3	59.8	65.2	52.9	44.1	50.6
Mexico City	55.7	59.2	60.3	57.4	56.6	59.6
Guadalajara	53.6	54.2	53.9	51.3	54.7	55.5
Ixtapa	46.6	46.6	59.4	54.8	49.0	44.7
Mazatlán	54.4	50.6	54.4	56.5	53.9	52.7
Pto. Vallarta	55.2	56.8	68.7	59.7	54.2	48.5

* Jan-Oct (since the high season is excluded these are underestimated)
Source: CONCANACO-SERVYTUR: Panorama de la Actividad Turística en México 1989, 1990.

All resorts show lower results in 1988 as compared to 1987. This was mostly due to an increase in rooms available with an insufficient promotion in past years to advertise them broadly on an international basis, as well as to severe damages caused by hurricanes and other bad weather conditions, which required that certain resorts be closed for several weeks and then remodeled afterwards. Another problem was the lack of necessary flights to many of these destinations, as a result of the temporary closure of Mexico's second national airline, Aeromexico. These problems were addressed and 1989 showed certain signs of recovery in three resort areas: Acapulco, Cancún and Guadalajara. Other destiantions continued to show negative results, in particulat Cozumel and Ixtapa.

Approximately $80 million will be invested annually to promote Mexican resorts abroad. Some $20 million will come from government sources, while the private sector will triple these funds. A major Mexico promotion is masterminded by Saatchi & Saatchi, New York and acts as an umbrella campaign for an extensive effort to promote destinations within the country, rather than particular hotels or chains, under the tagline "Come, Feel the Warmth of Mexico", featuring mostly beaches, but also a "myriad type of attractions". On a national basis, the "Mexico, my new destiny" capmaign was launched in 1990 and in Cnada and the United States the campaign "Mexico, its magic never leaves you" as well as a public relations campaign to foster articles and publications promoting tourism in Mexico.

Mexico is opening up the skies and roads to foreign firms, by allowing non-Mexican bus passenger carrying companies and airlines to enter the country with passengers, therefore no longer protecting national carriers. There used to be 52 authorized air routes, now there are 600, although not all are yet covered. During 1990, 21.8 million passengers were transported by airplane, 13 million with 47 national carriers and 8.8 million with 31 international ones, reflecting a 15% increase over 1989. In addition to these, the deregulation policies described above brought about a 13% increase in the number of passengers flying into Mexico vio charter flights, for a total of 735,000 passengers and 7,900 flights, mostly to Cancún (30%), Acapulco (12%), Puerto Vallarta (10%) and Mazatlán (9%).

4.2 RESTAURANTS

There are approximately 60,000 restaurants in Mexico, which feed some three million people every day. Only 5,256 of these restaurants are registered with the Ministry of Tourism. Of these, 87.5% are located within a hotel. Registration has, until now, been a very cumbersome process, requiring several permits and licenses, reason why only very few are presently registered. Following are data on the registered food and beverage establishments registered with SECTUR, both in hotels and as independent establishments:

	1989 HOTEL	**1989 INDEP.**	**1989 TOTAL**	**1990 HOTEL**	**1990 INDEP.**	**1989 TOTAL**
Restaurants	1,680	208	1,888	1,709	213	1,922
Restaurant-bars	769	280	1,049	806	290	1,096
Bars	1,330	95	1,425	1,356	98	1,454
Discotheques and night clubs	302	21	323	309	20	329
Cafeterias	412	37	449	419	36	455
TOTAL	**4,493**	**641**	**5,134**	**4,599**	**657**	**5,256**

Source: CONCANACO-SERVYTUR: Panorama de la Actividad Turística en México 1989.

This activity is extremely important, since 30% of a tourist's total expense corresponds to food products and generates significant foreign exchange income. Additionally, it is estimated that 600,000 persons are employed in this sector, or 3% of the country's total labor population. Mexico's restaurants serve three million people daily and the number of establishments increases 1.5% per year. It is estimated that 12,000 of the total establishments are located in Mexico City.

In addition to the large hotel chains mentioned above, important restaurant chains include Pollo Loco (53 restaurants), Kentucky

Fried Chicken (52), Burger Boy (49), VIPS (47), Anderson (38), Sanborn's (37), Woolworth (26), Denny's (22), Tok's (21) and McDonalds (7).

5. INVESTMENTS AND FINANCING

Total private and public investment in the tourism sector between 1985 and 1988 amounted to a total of $2.6 billion. Of this amount, $585.7 million were invested by the public sector, $548.6 million by private hotels and the remaining $1.5 billion by other investors. The geographical distribution of the total amount invested was in the resorts of Huatulco (27%), Cancún ((20%), Loreto (18%), Los Cabos (16%), Ixtapa (11%) and other areas. It is interesting to note that public investment was concentrated in developing the new areas of Huatulco and Loreto, while private hotel investment was largest in Cancún and Ixtapa, the proven resorts. In 1989, total investment in tourism amounted to $750 million and 30% of total foreign investment in Mexico was in this sector.

The Government owned National Fund for the Promotion of Tourism (FONATUR) was created in 1973 to provide financing to the tourism sector. These funds have predominantly been oriented towards the construction, remodeling and broadening of hotels, however they are also used to build hotel condominiums, time sharing establishments, restaurants and bars, for guides-chauffeurs, car rentals, travel agencies, tourism marinas and other projects related to this industry.

FONATUR has created five tourism centers in the last 15 years: Cancún, Ixtapa-Zihuatanejo, Los Cabos, Loreto and Huatulco, and so far has installed over 150 hotels and 25,000 rooms. According to FONATUR, in order to achieve the new plans envisioning the construction of 50,000 hotel rooms in the next four years, for every dollar invested in tourism infrastructure -new highways, sewage systems and initial hotel construction-, another ten dollars will have to come from private investors. Usually, FONATUR makes the initial investment and then sells off its equity interests in hotels to private investors who were unable or unwilling to invest initially.

The following table shows financing granted by FONATUR between 1984 and 1989:

YEAR	APPROVED AMOUNT	INVEST. GENERATED	NEW ROOMS	REMODEL ROOMS	EMPLOYMENT GENERATED
1984	$182.3	$364.8	5,275	3,196	4,958
1985	$179.8	$236.0	5,002	4,688	5,572
1986	$142.0	$233.9	5,545	3,969	3,745
1987	$159.3	$288.4	5,058	1,864	4,067
1988	$ 9.4	$ 14.8	403	202	283
1989	$114.2	$373.6	6,800	4,400	4,446
1990	$ 80.2	$344.2	3,479	1,156	3,831
TOTAL	**$847.7**	**$1662.2**	**30,998**	**19,331**	**26,304**

Source: CONCANACO-SERVYTUR: Panorama de la Actividad Turística en México 1989.

FONATUR invested $159.3 million in 1987 for the construction of 5,058 new rooms and the remodeling of another 1,864. In 1988, it only invested $9 million as a result of the Economic Solidarity Pact, which stopped all financing not approved before December 1987; 1989 shows signs of recovery again, with a total financing of $119 million approved to create 11,200 rooms. In 1990. In 1990, credits pproved amounted to Mex$176 billion in addition to US$14. Of the new rooms approved, 11% were in grand tourism hotels, 15% in five stars, 22% in four stars, 35% in three stars, 5% in one star, and 6% in time sharing (as compared to 29%, 20%, 30%, respectively, 7% in special class and 6% in time sharing establishments in 1989). Remodeled rooms were concentrated in four star hotels (53%), three star (23%) and two star (13%) ones. Total financing approved between 1984 and 1990 was distributed geographically as follows: Quintana Roo (30%), Mexico City (11%), Oaxaca (10%), Nuevo León (8%), Guerrero (7%), Sinaloa (5%), Jalisco (5%), Baja California Norte (3%) and Sonora (3%) among the most significant.

During the next five years, FONATUR will invest $500 million in the infrastructure of the centers of Cancún, Huatulco, Ixtapa-Zihuatanejo, Los Cabos and Loreto in addition to a $70 million credit project, destined to consolidate existing resorts and to promote the megaprojects. In order to increase the participation of economic, one and two star hotels in the FONATUR financing, the State Guarantee Funds were created to support small and medium sized companies by providing a line of credit 10 times that of the initial financing by the state government, as well as guaranteeing small firms to obtain credit at commercial banks and providing technical, administrative and promotion assistance. There are presently seven funds in Tlaxcala, Hidalgo, Sonora, Sinaloa, Chiapas and Chihuahua. This fund has accounted for much of the investments in smaller one and two star hotels.

Tourism financing programs are now available from local banks to small and medium sized investors as well as new rules on land purchase. The National Bank for Foreign Trade (BNCE) started operating a special fund for tourism in 1989 which is disbursed in U.S. dollars and is destined to projects undertaken in proven foreigner visited resorts. In 1989 investment were approved for 23 hotels with $175 million of which $168 million were disbursed during 1989. In 1990, financing by BNCE amounted to $427 million for 22 projects in 15 destinations. Of these funds, 71.3% were used for the contruction and remodeling of 6,500 rooms, 1.6% were used in promotion and the rest to reinforcing activities. Total investment generated by these credits amounted to $539 million.

The Mexican stock market was allowed to issue tourism bonds to increase financing for this sector. A new corporate bond indexed to the free dollar exchange rate was approved to be issued by companies in dollar-generating sectors such as tourism. This will help Mexican hotel companies obtain less expensive financing for their expansion.

The World Bank recently granted a $300 million loan to FONATUR to finance the construction of 8,000 new hotel rooms in already existing resorts, such as Puerto Vallarta, Ixtapa, Huatulco, Cancún and Puerto Escondido during 1990. This will be the first of a series of annual credits totalling three billion dollars for the construction of 8,000 rooms per year. The Interamerican Development Bank (IDB) will destine new resources to Mexico's tourism infrastructure, agriculture and mining.

In 1986, Mexico established a debt-equity conversion (swap) program in certain sectors, including tourism. This program allowed foreign firms to purchase Mexican debt at a discount and to redeem it in Mexico for a higher dollar value, payable in pesos, for investment. In 1986, this program financed 17% of total tourism investment. During 1986 and 1987, FONATUR negotiated a total of $908 million in swaps for tourism, of which $207 has been effected, $356 approved and $356 in progress, representing 31% of total swaps. The origing of the funds was from the United States (47.6%), England (13.7%) and Panama (9.1%). This program was suspended in late 1987 because of its inflationary impact. At the end of 1989 this mechanism was reinstalled to privatize parastate companies and for the tourism sector.

On March 30, 1990, the new SWAP program was published to foster national and foreign investment in infrastructure programs and the sale of parastate companies. As opposed to the previous program, SWAPS are now open to local investors and are limited to $3.5 billion withing 3.5 years. The discount rate is auctioned among prospective investors starting with a minimum 35%. The government also published a list of elligible projects for this mechanism. In the case of tourism, SWAPS are oriented towards the megaprojects, marinas and infrastructure.

6. **PROJECTS** (3)

The National Development Program for the 1989-1994 period identifies tourism as one of the most important areas to be developed, since it still has a large potential. The objectives for the period are to increase and improve existing tourism facilities, increase the flow of both national and international tourists and therefore generate employment and foreign exchange income. Other areas stressed are to improve service qualitatively through training, increase security for tourists, increase the number of incoming flights and road traffic, develop nautic tourism through cruisers and marinas, promote a more uniform hotel occupancy throughout the year, promote private and state investment, review the legal framework and strengthen the operation of FONATUR.

The targets set for the 1989-1994 period are:
- 50,000 additional hotel rooms
- 100,000 additional beds
- 10 million foreign tourists to Mexico by 1994
- Total foreign exchange income from tourism of $5 billion in 1994
- 100,000 visitors through recreative ships
- 1,392,000 visitors via cruisers
- 50,000 visitors by private airplanes

In order to reach this, a total investment of $4.5 billion is expected to be needed. The areas identified for development in the 1990-1994 period are Huatulco, Nuevo Vallarta, Los Cabos, Loreto, Ixtapa-Zihuatanejo and the coasts of Quintana Roo, in particular Tulum. Cancún is expected to have 24,000 rooms by the year 2,000 and attract two million visitors. Three aspects are important to boost Mexico's tourism industry: promotion, transportation and hotel rooms.

The federal government has created a new formula to develop certain tourism areas through the development of infrastructure and the preparation of a massive supply of land to be sold to private investors, both national and foreign, who will then develop the suprastructure of the resort and strengthen its image. Each of the ten proposed megaprojects will be a self-sufficient tourism complex with its own airport, roads, marina, electric generators, water supply, gardens, church, hospital and workers houses, in addition to hotels, restaurants, boutiques, shopping centers, museums, sports facilities and other entertainment centers. It is estimated that these projects will generate 55,000 direct employments and 125,000 indirect ones and that they will attract 1.5 million foreign tourists and $800 million in income, as well as 700,000 local tourists and $500 million in income.

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3. This section of the study was not updated in December 1991.

The construction of the 10 megaprojects will require a total investment by national and international private investors of $8.3 billion to develop infra and suprastructure, with the support of FONATUR and SECTUR. These projects will be built in existing resorts with first quality land to develop. In the first phase, the projects to be developed are Cancún (Cancún, Puerto Cancún and San Buenaventura); Huatulco (Puerto Chahué and Bahía Cacaluta); Ixtapa (Marina Ixtapa and Punta Ixtapa); Baja California Sur (Punta Bonó, Punta Nopoló and Puerto Escondido); in addition to Palenque (Villas Arqueológicas) and Cozumel (Cozumel Náutico). The following hotel chains and companies will participate in the megaprojects: Camino Real-Westin, Stouffer-Presidente, Conrad International, Nikko, Sheraton and Radisson. In 1990, another five megaprojects were announced.

FONATUR is also planning to join existing resort areas by means of tourist corridors. One is projected to run 25 miles between San José del Cabo and Cabo San Lucas in Baja California; another will join Tulum to Cancún (80 miles) in Quintana Roo; a third one will run 180 miles between Puerto Vallarta and Manzanillo along the northern Pacific Coast, and another will join Ixtapa-Zihuatanejo to Puerto Angel along 600 miles of unique bays and beaches between the states of Guerrero and Oaxaca.

Cementos Mexicanos and Marriott International have entered into a $150 million joint investment to construct three hotels this year in Puerto Vallarta (426 rooms), Cozumel (300 rooms) and Cancún (450 rooms). Another eight are on the drawing board, for an estimated investment of $500 million in the next five years to build 11 new grand tourism hotels in various resorts throughout the country , including Mexico City, Huatulco, Ixtapa, Acapulco, Cancún and Los Cabos.

The Camino Real hotels, now called Real Turismo, after its consolidation with the Calinda Hotels and Fraccionadora y Hotelera del Pacífico (Las Hadas and Maeva hotels), are remodeling and expanding their hotels in Cancún, Puerto Vallarta, Mexico City and Acapulco. All together, this group now has 27 hotels and 10,000 rooms. Grupo Real Turismo invested $140 million in 1989 and $120 million more will be invested to finalize hotels in Cozumel and Cancún and to build a new hotel in Puerto Vallarta, in addition to a chain of highway hotels for tourists travelling by car. Lately, this group has invested in Mazatlán, las Brisas, built two towers in Cancún (Calinda and Camino Real) and los Cabos and finalized the Clarion-Calinda in Mexico City.

Consorcio Hotelero Plus, a subsidiary of Holding Fiasa, plans to invest $45 million in the construction of two hotels in Nuevo Vallarta and Cozumel. This group started to operate with the inauguration of the Clarion Reforma in March 1989. Its second project is the Royal Maeva hotel in Huatulco, which opened at the end of the year.

Promotora Mexicana de Hoteles, a wholly Mexican owned company, acquired the shares of Posadas de México, owners of the Fiesta Americana, Holiday Inn and Crowne Plaza, Fiesta Inn and Fiesta hotels. This group plans to open five new hotels in 1990, to add to the existing 30, and has several new projects underway.

In October 1988, the Grupo San Luis, a Mexican holding company purchased the Hyatt Exelaris hotel chain with four hotels, two in Acapulco (Hyatt Regency and Hyatt Continental), the Hyatt Regency Cancún and the Hacienda Galindo in Querétaro. It also acquired 51% of the shares of their operating company and another four Hyatt hotels in Cancún, Villahermosa, Guadalajara and Chihuahua. This group is planning investments in Punta Diamante, Los Cabos, Puerto Vallarta, Ixtapa, Puerto Aventuras, Bahía del Carmen and Mexico City.

Conrad hotels, a subsidiary of Hilton hotels, and its Mexican joint-venture partner Bancomer, will open a 400 room Conrad Cancún. Another 300 room hotel is nearing completion in Puerto Vallarta and will be opened in November 1990, and a third 300 room hotel is under construction in Cabo San Lucas and will begin operating in August of 1991.

The Hotel Paraíso Raddison chain has opened its 300 room hotel in Cancún, a 241 room one in Mexico City, one in Zacatecas and plans to develop other properties in Puerto Vallarta, Oaxaca, Puerto Escondido, Aguascalientes, Mazatlán, Ixtapa and Guaymas.

Hoteca, a joint venture of Mexican businessmen and the Ramada Inn chain is projecting an initial investment of $200 million for the construction of hotels in La Paz, Bahía de San Carlos, Puerto Vallarta, Acapulco and Ixtapa. It also recently opened its 226 room hotel in Cancún.

The U.S.-Switzerland owned hotel chain, Stouffer Hotels and Resorts, recently joined Nacional Hotelera, owners of the Mexican Presidente hotel chain in a joint venture agreement to expand in Mexico's costal resorts. This group will build three hotels in Puerto Vallarta, Acapulco and Huatulco in addition to the operation of seven hotels in Mexico City, Cancún, Cozumel, Oaxaca, Loreto, Los Cabos and Ixtapa.

The U.S. based OMNI corporation recently opened its second hotel, after Cancún, in Mexico with an investment of $25 million in Ixtapa. This hotel has 300 rooms, 13 junior suites, 12 master suites and one presidential suite. This group is building a hotel in Puerto Vallarta and plans another in Los Cabos.

Over $35 million are going into a new hotel and condominium in Los Cabos from national and foreign investors. The state of Baja California Sur is investing in a $43 million infrastructure development plan. By March 1991, Los Cabos is estimated to have 6,000 hotel rooms, two times those existing in 1989. By 1994, an additional 3,000 rooms will be built. Starting in 1990, $500 million will be invested in this resort and in the state of Baja California Sur. Projects to be initiated are Fidepaz and Costa Baja in La Paz, as well as Puerto Escondido and Loreto to be built within 6-7 years. Private investors will invest $400 million in the new hotel Guaycura in Loreto. Hotel chains with projects in Baja California Sur are Hyatt International in Cabo San Lucas, Krystal and Marriott in San José de los Cabos, and Radisson in Puerto Escondido.

SECTUR plans to exploit the tourism potential of the border cities, now receiving 156 million border crossings per year (or 60% of tourists that visit the country), through the Programa Turístico de la Frontera Norte, which will include urban projects, hotel and tourism services, to be financed by Banobras, Bancomext and FONATUR. FODETUR (Fondo Estatal Turístico) will support small investors in Sonora to broaden and remodel hotels, build restaurants, purchase buses and increase tourism services in that state. Several hotels are projected along the border states: Hotel chains Best Western in Tijuana and San Felipe, Calinda and Riviera del Sol in Tijuana

Approximately $25,000 will be invested to improve marine, airport, street and public services infrastructure in Puerto Vallarta. This is a promising area in which U.S., Canadian and European investors are interested. The Cemex-Marriott joint-venture will finalize a new time sharing establishment in Puerto Vallarta with 219 de luxe units consisting of a 144 m2 area with two bedrooms, living and dining-room with a $40 million investment. The Sol-Meliá Vallarta was inaugurated in December 1989. The Best Western, Hyatt International, Paraíso Radisson and Stouffer Presidente chains have hotels projected in Puerto Vallarta.

The government of the state of Jalisco, in association with leaders of Jalisco's private sector, have formed the State Council for Tourism Development, with an initial capital of $1.2 billion in the form of a trust fund. This will be used to promote the construction of resorts along Jalisco's 198 miles of Pacific coast beaches from Puerto Vallarta to Barra de Navidad. U.S. and French investors plan to invest in infrastructure in Cuixmala, Jalisco, where an important ecological reserve of exotic animals exists, in order to preserve the area and open it to small groups of interested visitors.

In the state of Colima, the local government is planing to build a convention center and a horse race track, as well as an international shopping center and will finance 50% of the project. In Manzanillo $50 million will be invested in a new hotel development program. Over $400 million will be invested in a major new project in Juluapán on the Santiago Bay, Colima, including a 190 yacht marina. In future years, up to five hotels will be built, condominiums, villas, a golf course, recreation areas, restaurants and shops. Presently, Banamex is co-investing in the construction of the $40 million Sierra Continental hotel.

Grupo Sidek will invest $80 million annually during the next eight years, for a total amount of $640 million, in the Marina-Ixtapa megaproject, which will include a hotel with marina, sport complexes and golf course.

In the Acapulco-Puerto Marquez area, a new joint-venture between the state of Guerrero and ICA, a major construction firm, is underway through the urbanization of "Punta Diamante" with an investment of $90 million. This will translate into major investments for the construction of 6,000 to 8,000 hotel rooms estimated at between $400 and $800 million. The port of Acapulco presently has 500 hotels, 1,000 restaurants, 300 bars and discotheques. The state government will invest $25 million to better equip its beaches. Three new hotels are projected in Acapulco. A second marina for 372 ships has been started at Punta Sirena in Acapulco, called the "La Marina" tourism complex, with an investment of $25 million. This will also feature 64 condominiums, hotels, a yacht club and shopping center. Projected hotels in Acapulco are the Aristos, Best Western, Hyatt ans Stouffer Presidente.

Bahías de Huatulco, the most recently developed complex, on Mexico's Pacific Coast in the state of Oaxaca, embraces a 22 mile stretch of coastline and consists of nine bays. It is expected to have 27,000 rooms by the year 2020 and be able to host two million visitors annually. The Sheraton hotel and Club Med are pioneers in this area. The Club Mediterranee built a 500 room hotel, recreational and sports facilities in this complex, which was the first one to open in December 1987. It is a joint venture between Club Med, FONATUR and Bancomer (one of Mexico's largest banks). Three additional hotels are being built by FONATUR in this complex, with the participation of three foreign investors: Societé des Hotels Concorde, Bank Lazard Freres and the Moorings Ltd., in association with Banamex (a large Mexican bank), Grupo ICA (a major construction contractor in Mexico) and some independent businessmen. Hotel chains projecting to build in Huatulco include Krystal, Marriott, Quinta Real, Riviera del Sol and Stouffer Presidente. The federal and state governments have invested $250 million in the construction of the Huatulco international airport and in the urbanization of the bays of Tangolunda, La Crucesita, Chahué, and Santa Cruz.

In the city of Veracruz, the airport will be enlarged and a new convention center will be built, as well as five first class hotels. The archaeological zone of Tajín is being restaurated and the Tecolutla beach zone will be rescued, with a total investment of $800 million. The los Tuxtlas region, called the Costa Esmeralda, will become a first level tourism resort to attract tourism from Canada and the U.S. Between December 1989 and April 1990 an estimated 7,000 Canadian tourists are expected in Veracruz from Montreal and Toronto.

The 1988 created Puerto Aventuras resort across the island of Cozumel is already popular. Representing an investment of $43 million, it features the only marina on the Caribbean, with a capacity for 120 yachts, a golf course, international quality tennis courts and beach clubs. There is presently a 40 room hotel and several grand tourism hotels are under construction. Its expansion is already being planned and total investments in hotels and condominiums are estimated at $214 million. Hotel chains with hotels projected in the Cancún cozumel area include Best Western, Calinda, Camino Real, Fiesta Americana and Hyatt.

7. MARKET ACCESS

As a result of Mexico's accession to GATT, the Mexican government has gradually opened the economy to international markets. Tariffs have been lowered from a maximum 100% in 1983, to 20% since December, 1988. The official price system has been totally eliminated and import permits are required on only 198 of the total 11,812 items in the Mexican Harmonized Tariff System.

The import climate for hotel and restaurant equipment and supplies has improved significantly as a result of this commercial liberalization. Therefore, imports of equipment for this industry are subject to an ad valorem duty of maximum 20% assessed on the invoice value. In addition, a customs processing fee of 0.8% is assessed on the invoice value. A 10% value added tax (recently reduced from 15%) is then assessed on the cumulative value of both taxes in addition to the invoice value. Some manufacturers who use imported inputs for their products under a Mexican Government approved manufacturing plan may have the duty and/or VAT waived or rebated. Raw materials, intermediates and machinery for use in manufacturing or assembling products for export are generally eligible to be imported either duty free or under bond.

Formerly, in order to bid on tenders and sell to a government agency or decentralized company, foreign manufacturers required having a local resident agent and to have the foreign supplier registered and accepted by the Secretariat of Planning and Budgeting (Secretaría de Programación y Presupuesto - SPP). As of July 1991, the above requirement for prior registration with SPP has been eliminated.

The new procedures now in force require the foreign supplier to have a local agent or representative and it has to be registered through his local representative as an accepted supplier with each government ministry and/or decentralized agency according to the international tender requirements under review.

International tenders financed by the World Bank or the International Development Bank are open to all member countries of these institutions. More recently, the World Bank, where its credits are involved, has required that bid documents should also include an affidavit confirming that the Canadian company is a bona fide Canadian company with an official residence in Canada and that Canada is recognized as a contributing member to the World Bank.

There are no official metric requirements applicable to imports into Mexico. However, since the metric system of units is, by law, the official standard of weights and measures in Mexico, importers will usually require metric labeling for packaged goods, although the English system is also used. Dual labeling is acceptable. Imported products should be labeled in Spanish containing the following information: name of the product, trade name and address of the manufacturer, net contents, serial number of equipment, date of manufacture, electrical specifications, precautionary information on dangerous products, instructions for use, handling and/or product conservation and mandatory standards. Mexico adheres to the International System of Units (SI). Electric power is 60 cycles with normal voltage being 110, 220 and 400. Three phase and single phase 230 volt current is also available.

Prepared by:
Caroline Vérut for
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To call all telephone and fax numbers listed below from Canada, unless they are preceded by a different area code, dial 011-525 first, otherwise dial 011-52-(area) number.
NOTE: The information on companies not located in Mexico City was not confirmed.

APPENDIX I:
INDUSTRIAL CHAMBERS AND ASSOCIATIONS

ASOCIACION MEXICANA DE DESARROLLADORES TURISTICOS, A.C.
TOURISM DEVELOPERS ASSOCIATION
Viaducto Río Becerra 11
Col. Nápoles
03810 México D.F.
Phone: 687-71-96
Fax: 669-46-30
Contact: Lic. Sergio Montero Q.
Presidente

ASOCIACION MEXICANA DE HOTELES Y MOTELES DE LA CIUDAD DE MEXICO, A.C.
MEXICO CITY HOTEL AND MOTEL ASSOCIATION
Hamburgo 108 - 104
Col. Juárez
06600 México D.F.
Phone: 525-68-63 525-56-07
Fax: 525-03-03
Contact: Sr. Lucio Montero Ibelles

ASOCIACION MEXICANA DE MERCADOCTENIA Y EJECUTIVOS DE VENTAS DE HOTELES, A.C.
HOTEL MARKETING AND SALES EXECUTIVE ASSOCIATION
Sindicalismo 133-407
Col. Escandón
11800 México D.F.
Phone: 515-24-52 272-91-06
Fax: 272-50-43
Contact: Lic. Gustavo Pescador
Presidente

ASOCIACION MEXICANA DE RESTAURANTES, A.C.
MEXICAN RESTAURANT ASSOCIATION
Torcuato Tasso 325 - Desp. 103
Col. Polanco
11560 México D.F.
Phone: 531-09-11 531-38-34
Fax: 545-86-71
Contact: Lic. Francisco Fernández Alonso
Director General

CAMARA NACIONAL DE LA INDUSTRIA DE RESTAURANTES Y ALIMENTOS CONDIMENTADOS
NATIONAL RESTAURANT AND SPICY FOOD CHAMBER
Aniceto Ortega 1009
Col. del Valle
03100 México D.F.
Phone: 604-04-18 604-04-78
Fax: 604-40-86
Contact: Lic. José de la Luz Santibañez Cantero
Presidente

ASOCIACION NACIONAL DE IMPORTADORES Y EXPORTADORES DE LA REPUBLICA MEXICANA (ANIERM)
IMPORTERS AND EXPORTERS ASSOCIATION
Monterrey 130
Col. 06700 Roma
México D.F.
Phone: 564-86-18 584-95-22
Fax: 584-53-17
Contact: Sr Ernesto Warnholtz
Presidente

CAMARA NACIONAL DE LA INDUSTRIA DE TRANSFORMACION (CANACINTRA)
TRANSFORMATION INDUSTRY CHAMBER
Av. San Antonio 256
Col. Ampliación Nápoles
03849 México D.F.
Tel. 563-3400
Fax 598-9467
Contact: Roberto Sánchez de la Vara - President

APPENDIX II:
USEFUL GOVERNMENT MINISTRIES AND DECENTRALIZED AGENCIES

FONDO NACIONAL DE FOMENTO AL TURISMO (FONATUR)
NATIONAL TOURISM DEVELOPMENT FUND
Av. Insurgentes Sur 800 - Piso 22
Col. del Valle
03100 México D.F.

Phone:	687-26-97	687-05-67
Fax:	543-47-01	
Contact:	Lic. Mario Ramón Beteta Director General	

SECRETARIA DE TURISMO
Av. Presidente Mazaryk 172 - Piso 8
Col. Polanco
11587 México D.F.

Phone:	250-78-71	250-82-28
Fax:	250-44-06	
Contact:	Lic. Pedro Joaquín Coldwell Secretario de Turismo Lic. Alejandro Luque Altamirano Director de Adquisiciones	

APPENDIX III:
POTENTIAL DISTRIBUTORS AND REPRESENTATIVES

A.B.E. REFRIGERACION INDUSTRIAL, S.A. DE C.V.
Av. Contreras 516 - Piso 5
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APPENDIX IV:
LEADING HOTEL CHAINS IN MEXICO

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