

8-27-1997

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### Recommended Citation

LADB Staff. "Tourism Development Agency to Boost Spending for Projects at Major Resorts." (1997).  
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## Tourism Development Agency to Boost Spending for Projects at Major Resorts

by LADB Staff

Category/Department: Mexico

Published: 1997-08-27

In mid-August, the Fondo Nacional de Fomento al Turismo (FONATUR) announced the allocation of 600 million pesos (US\$77.5 million) to expand and upgrade tourism-related infrastructure during 1997. FONATUR director Emilio Gamboa Patron said the funds will be channeled to the more popular tourist resorts in Mexico such as Loreto and Los Cabos in Baja California Sur, Cancun in Quintana Roo state, Ixtapa in Guerrero state, and Huatulco in Oaxaca state.

Economists said the government's decision to boost expenditures on FONATUR-sponsored projects is evidence of the growing importance of tourism in the Mexican economy. Indeed, the amount of money allocated for tourism infrastructure this year is significantly higher than the 41 million pesos (US\$5.29 million) approved in 1996. According to projections by the Secretaria de Turismo (SECTUR), which has jurisdiction over FONATUR, private investments in the tourism sector between 1994 and the year 2000 are expected to total US\$8 billion.

Meanwhile, according to the Switzerland-based International Tourism Alliance, Mexico is the most popular destination in Latin America for tourists, and the country ranked as the seventh most visited nation globally in 1996. The six countries that surpassed Mexico were France, the US, Spain, Italy, China, and Great Britain. The report said Mexico received more than 21.7 million tourists in 1996, an increase of almost 8% relative to 1995.

Revenues from foreign tourism last year approached US\$6.9 billion, an increase of almost 12% from the previous year. For 1997, SECTUR projects tourism revenues at US\$7.5 billion, an increase of almost 10% from 1996. Business confederation pushing for casinos in Mexico City The growth in tourism has led the Confederacion de Camaras Nacionales de Comercio (CONCANACO) to request that casinos be allowed to operate in Mexico City.

Miguel Torruco, CONCANACO's vice president for tourism, said organization officials would meet with Mexico City mayor-elect Cuauhtemoc Cardenas to present the casino proposal, along with other measures to promote tourism, including posting bilingual police officers near tourist zones and removing street vendors from the major tourist areas. "The consensus among tourism associations is to support the establishment of casinos," said Torruco. "We acknowledge that they are not a panacea, but they could be part of the menu of tourist-related services that our country offers."

In addition to CONCANACO, the gambling proposal is backed by the Asociacion Mexicana de Hoteles y Moteles (AMHM) and the Asociacion Mexicana de Agentes de Viaje (AMAV). These groups argue that casino gambling would be a lucrative, competitive business that would attract more diverse international tourists who spend more money. As of mid-August, Cardenas had not

issued a formal response to CONCANACO's proposals. However, the mayor-elect is expected to reject the plan, in part because the Chamber of Deputies has already decided against the establishment of casinos because of the potentially damaging social consequences (see SourceMex, 11/06/96).

Tourism Secretary Silvia Hernandez said the next session of the Chamber of Deputies was unlikely to reopen the issue. "After intensive studies, legislators decided that Mexico is in no condition to support casinos," said Hernandez. "There is no sense in debating the matter any further." Hernandez also criticized proposals to eliminate SECTUR, which she said is crucial to maintain tourism as the second largest source of revenue for Mexico after petroleum.

Some members of the opposition Partido Accion Nacional (PAN), who are pushing for a reduction in the value-added tax (impuesto al valor agregado, IVA), have suggested that the government compensate for the reduced revenues by cutting spending. The recommendations involve the elimination of four secretariats, including SECTUR (see SourceMex, 07/23/97).

But Hernandez said SECTUR's dissolution is not practical because the secretariat has been responsible for expanding tourism in Mexico, resulting in the creation of 1.7 million jobs annually. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 27, reported at 7.74 pesos per US\$1.00] (Sources: Notimex, 08/12/97; Excelsior, 08/10/97, 08/13/97, 08/21/97; El Universal, 08/13/97, 08/21/97; El Economista, El Nacional, Novedades, 08/21/97; The News, 07/28/97, 07/29/97, 08/15/97, 08/25/97)

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