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Mexican Wave

MARK MOBIUS CHECKS OUT THE TOURIST HOT SPOTS AND INVESTMENT OPPORTUNITIES IN MEXICO, ONE OF THE MOST EXOTIC LOCALES IN THE WORLD

AFTER LEAVING LIMA, PERU, WE flew to Mexico. Before embarking on a hectic round of company visits (and, since it was the weekend) we headed to the white sands, clear skies and blue waters of Cancún, the exciting playground on Mexico's Caribbean coast in the Yucatan Peninsula.

Cancún was its party-time self with lots of American and Mexican tourists basking on the beaches during the day and partying in the bars and discos at night. In flying time, Cancún is closer to Havana, Cuba, and Miami, Florida, than it is to Mexico City, so it's no surprise that it has splashes of Miami style and Cuban music. It's located on the Yucatan peninsula in the state of Quintana Roo with a fascinating ancient Mayan history. In the hinterland, there are abandoned mansions of former plantation owners who, between 1880 and 1940, became wealthy because of *henequen*, a strong fibre used to make such items as rope and burlap bags. The collapse of that market resulted in the mansions and plantations being abandoned, but now many have been

In 1967, Mexico's central bank hit on the idea to promote tourism in underdeveloped areas

restored and turned into elite hotels. Another produce, *chicle*, from the sapodilla tree and used for chewing gum, was harvested in the area at the beginning of the 1900s, but, subsequently, the industry went into decline.

By the 1950s the area was an impoverished backwater, but became famous in 1961 after Jacques Cousteau reported on the area's stunning coral reefs and aquatic seascape. Then, in 1967, the Banco de Mexico, Mexico's central bank, hit on the idea to promote tourism in the underdeveloped areas of the country. After an intensive study, they picked Cancún as an ideal tourism spot. The reason: it had a long island bordered on one side by a spectacular white sand beach and on the other by a large lake, ideal for all kinds of water sports. The bank received a US\$27 million loan from the Inter-American Development Bank to build the first infrastructure, and development began in 1970. Everyone thought it was folly to attempt such a project and the Mexican government had to finance the first nine hotels and a causeway linking the island to the mainland. The city has grown rapidly over the past 30 years and currently has 600,000 residents. Now, 140 hotels line the beach with over 24,000 rooms and 380 restaurants. Each year, four million visitors arrive on 190 daily flights from the US, Europe, Latin America and elsewhere.

Not only does Cancún have great beaches, restaurants and hotels, but nearby Mayan ruins, such as Chichen Itza, are a fascinating example of Mayan culture. Although the Spanish conquistadors managed to kill half a million Mayans while enslaving and Christianising the rest, the Mayans continued to fight the central government even after Mexico gained independence from Spain in 1821. Today, the Mayans are clearly evident all over Cancun serving the tourist industry and about 800,000 Mexicans still speak the Mayan language.

After the weekend, we took off for Puebla, a two and a half hour flight. This city is south of Mexico City and not too far from Cuernavaca, a wonderful "city of eternal spring" known for its great weather. The one-hour drive to the Kimberly Clark tissue plant took us over a modern six-lane highway. Puebla is in Puebla State and we were headed for Tlaxcala State to Apisaco City. The Tlaxcaltecas Indians lived here and built interesting religious sites. They allied themselves with the Spanish and fought against the Aztecs. The more you learn about Mexico, the more you find out how complex their history and

TOP The main pyramid of Chichen Itza



Mark Mobius
at the Televisa
offices in
Mexico City

Alternative energy sources are important. Cemex is building a slew of windmills in Mexico

a reflection of the benefits Mexico gets from the close ties with its neighbour.

Mexico has a number of global companies such as Cemex with cement plants all over the world. In addition to dominating the Mexican market, it has operations in the US, Spain, China and many other countries. It recently purchased the Rinker Group in Australia for US\$15.3 billion. In Mexico, the demand for housing continues unabated. The use of a cheap and fast building system where moulds are filled with concrete means that cement is replacing bricks. With this system, a team of eight people can construct four houses in a day. Alternative energy sources are becoming important. Cemex is building a slew of windmills in Mexico to generate electricity. In Germany, however, the firm has negative energy costs, due to the strong use of alternative energies, which receive incentives from the government.

Another great Mexican company is América Móvil controlled by one of the world's wealthiest men, Carlos Slim. I met him at his modest home near the centre of the city. He is congenial, down to earth and with a clear long-term vision. America Movil has mobile phone operations all over Latin America. Mobile penetration in Latin America has surpassed even the most optimistic projections. In Mexico, current penetration is 64 per cent and the company expects to reach 90 per cent by 2010, while in all of Latin America the average penetration is slightly above 60 per cent and is expected to also reach 90 per cent by 2010.

Slim also controls Telmex, the fixed line telephone system that is practically a monopoly in Mexico and is expanding into the rest of Latin America. The company will soon spin off its Latin American operations from its Mexican domestic business and will list it as a separate entity. Since fixed line telephones are not a growth area, the firm has expanded into broadband communications and cable television in Argentina, Brazil, Colombia and other countries. Its television operations in Brazil cover 10 million homes in 120 cities. In Colombia, Telmex controls five CATV companies with five million homes. In Mexico there are currently 4.2 million broadband connections with Telmex holding three million. However, there are only 4.9 million homes with personal computers in the country. This means the company needs to foster the sales of personal computers to continue expanding its broadband connections.

With so much to see and do, I hated to leave Mexico but my next stop, South Africa, beckons. **T**



culture is with a number of major civilisations, not only the Aztecs and Maya. On both sides of the road were corn fields and factories interspersed with simple houses made out of cement blocks with flat roofs usually of corrugated iron sheets.

Seeing Kimberly's expansion plans indicated that any slowdown in the US was not hitting this company, particularly for the disposable diapers and increasingly popular wet wipes the company produces. The investment for the new facility in Tlaxcala will be US\$48 million and they expect to realise US\$8 to 10 million annual savings from this investment. Revenues from wet wipes were US\$40 million in the financial year 2007 and are expected to reach US\$45 million in the financial year 2008.

After Puebla we flew to Mexico City, the capital and major financial centre of the country. We stayed at the W Hotel which is located in the heart of town and not far from one of my favourite places, the National Museum of Anthropology. We also took time to see the incredible Teotihuacan pyramids 50 kilometres outside of the city. In addition to a number of ruined palaces, plazas and altars dominating the entire scene is the Pyramid of the Moon and the immense stone mass of the Pyramid of the Sun, one of the world's largest pyramids. Climbing up to the top is quite a chore.

Our company visits took a glimpse at the retail sector. A major department store chain, Comerci, has six million customers served by 214 retail units. One interesting statistic was that 28 per cent of the firm's customers received remittances from the US,

MARK THE SPOT

HOTEL

In Mexico City we checked into the W Hotel which has a modern, minimalist lobby, lit with red lights, and pumps Latin dance music in the lobby bar

ATTRACTION

The National Museum of Anthropology (above) has 23 permanent exhibitions containing the world's largest collection of ancient Mexican artefacts. Highlights include the Sun Stone of the Aztec calendar, a recreation of an Aztec emperor's tomb and the jade mask of the Zapotec Bat God, which is reminiscent of what has been found in China