

ANALYSIS OF THE TOURISM INDUSTRY IN MEXICO FOR THE DECISION-MAKING

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ABSTRACT:

This paper analyzes the factors that inhibit tourism industry for the benefit of tourism industry; Jafari (2001), for the economy of Mexico without leaving the side which would be ideal for a destination with a planned and sustainable tourism development is addressed.

With the entry of Mexico in 1996 into the World Trade Organization (WTO), the country was faced with new experiences of trade liberalization, this meant better opportunity to expand, get better services and technology, this allowed one of the most important trade agreements worldwide such as NAFTA, this agreement has expanded the options for consumption and income in Mexico. There is no doubt that NAFTA has brought significant benefits to Mexico also in tourism industry and a higher income for some people, and this allowed more opportunities to travel in and out of the country and as result tourism can be an important source of income.

But not all the effect of tourism industry is worthy, Laakso (2011), there are some aspects where tourism can affect the culture, environment, low income for workers and temporary jobs.

The same paper analyzes the behavior of recent years in the same industry with a focus on demand without addressing destination competitiveness variables such as the diversified tourism products that is focused on the US market with the information provided World Tourism Organization UNWTO.

Keywords: *Tourism industry, economic benefits, competitiveness, negative impact.*

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Main Content

Abstract:.....	408
Keywords:.....	408
Introduction:	409
Figure # 1 World inbound tourism, International tourism arrivals (millions).....	410
Discussion:	411
Table # 1 Evolution of international tourist arrivals to Mexico (thousands of people).....	411
Figure # 2. Evolution of international tourist arrivals in the world 2008-2012	412
The dark side of the tourism industry.....	413
Tourism as a development in Mexico	414
Figure # 3 Comparisons of the Trade Balance and Tourist Balance in Mexico. (years 2000-2012- Millions of dollars).	414
Figure # 4 Trade Relationships between Mexico and the United States (%)......	415
Table 2. Tourism Income in millions of dollars by country. (2013).....	416
China and Germany as a target to diversify tourism in Mexico.....	416
Tourism investments.....	417
Figure #5 Private investments in the tourism sector. (2008-2012 in millions of dollars).....	418
Number of international travelers.....	419
Revenue by international visitors	419
Table 4 Overall income of foreign exchange from tourism. (Billions of dollars)	420
Conclusions:	420
References:	421

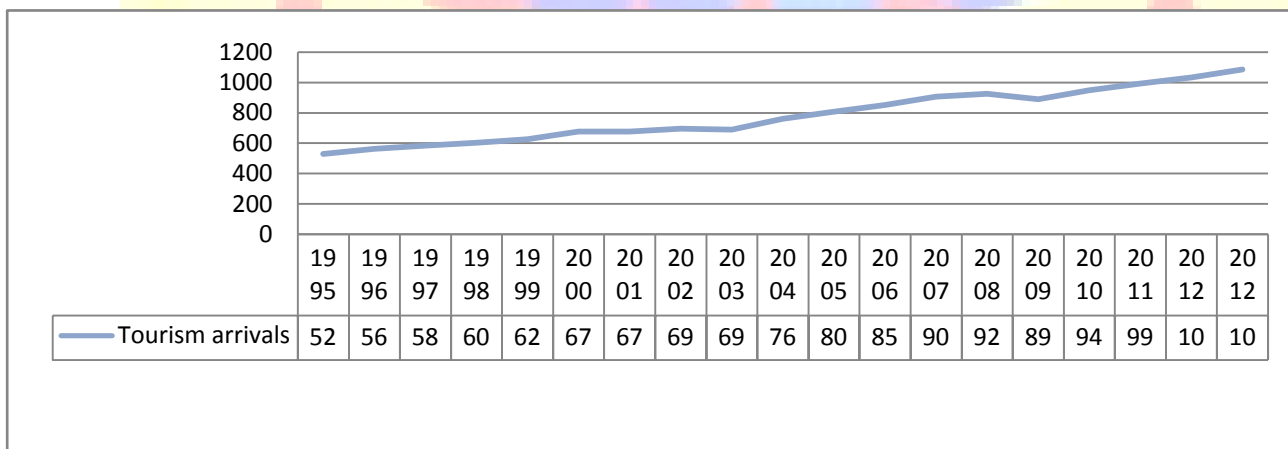
Introduction:

This analysis of the tourism industry emerges from a reflection based on the question, why tourism is not better positioned as a generator of wealth in the country through differentiated touristic products according to Tourism Secretary? like sea and sun, cultural, business, natural, adventure, religious and a new wave of medical tourism.

Regarding efforts to strengthen the tourism industry in Mexico and make it more competitive, in late February 2011, the former President Felipe Calderon, in a meeting with the major players in the national economy, the governors of all the states and joined by UNWTO head TalebRifai, and President of the World Travel and Tourism Council (WTTC, its acronym in English), David Scowsill, unveiled National Tourism Agreement, hereunder is expected that by the year 2018, thanks to the actions contained therein, the country will become one of the top five tourist destinations in the world to visit the country, this means that for that year is expected to Mexico received 40 million tourists and tourism generate 40,000 million annually for the Mexican economy and four million direct jobs and 12 million indirect jobs would be created. This agreement aims to promote economic activity and the relationships between states and strengthen federalism.

According to the World Tourism Organization (UNWTO), tourism phenomenon is one of the most important revenue generation and development activities of a nation, because it involves the society, nature, geography and economics. Add to that the cultural changes associated with globalization are added. According to the WTO, in 2013 the number of international tourists globally grew by almost 5%, to reach 1.087 million international tourists.

Figure # 1 World inbound tourism, International tourism arrivals (millions)



Source: World Tourism Organization (WTO)

According to the above figure shows the positive performance of the tourism industry in the world, being one of the most dynamic sectors in comparison to oil and manufacturing among others.

This means that citizens of developed and emerging countries spend an increasing share of their budgets to leisure, to travel abroad; this paper emphasizes the increasing participation of China and Russia as major sources of tourists.

Discussion:

Analysis of tourism in Mexico under the demand against the ideal way.

Tourism is a phenomenon of constant changes that has become the main source of income for under-develop countries such as Dominican Republic, Costa Rica and in developed countries like France, United States and Spain; but other industry experts like Jafari in his article in *The scientification of tourism (2001)* that in this industry are negative factors to consider, like: acculturation, the jobs created are temporary or low income in jobs and especially negative effect on the environment, among others. However, usually the impacts of tourism on society and economy are extraordinary positive.

Moreover, if it is to find the balance between supply and demand of tourism products and services, as Gunn (1994: 39) notes, "*tourism planning should aim to achieve a balance between supply (development) and demand (markets).*" This requires knowledge of the characteristics and market trends, as well as the planning process to meet their needs. Therefore, Mexico should develop strategies to make tourism a lever for development with a sustainable vision.

Table # 1 Evolution of international tourist arrivals to Mexico (thousands of people)

Year	Jua	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic	Total
2010	1,944	1,817	2,098	1,869	1,815	1,884	2,138	1,985	1,458	1,765	1,950	2,567	23,290
2011	2,006	1,842	2,087	1,974	1,854	1,872	2,288	1,862	1,473	1,619	1,892	2,635	23,403
2012	1,982	1,908	2,281	1,882	1,771	1,919	2,232	1,812	1,479	1,612	1,942	2,582	23,403
2013	2,014	1,937	2,233	1,860	1,771	2,062	2,211	2,129	1,643	1,738	2,033	2,518	24,151
Var 12/13	-1.2%	3.6%	9.3%	-4.7%	-4.4%	2.5%	-2.5%	-2.7%	0.5%	-0.4%	2.6%	-2.0%	0.0%
Var 13/12	1.6%	1.5%	-2.1%	-1.2%	0.0%	7.5%	-0.9%	17.5%	11.0%	7.8%	4.7%	-2.5%	3.2%

Source: WTO

The above table shows the performance of international tourist arrivals to Mexico from 2010-2013; it is shown a slow but steady increase. According to the UNWTO, tourism generates a large number of jobs in the service sector directly and indirectly, also affects positively the construction industry, as a domino effect, phenomenon, that has been little studied. Likewise, tourism movements stimulate trade and cross border investments.

From the consideration that tourism is a social, economic, geographical and psychological phenomenon, in this study was decided to do an analysis on these four variables are essential part of it, not forgetting that also other factors are involved such as management and sustainable development.

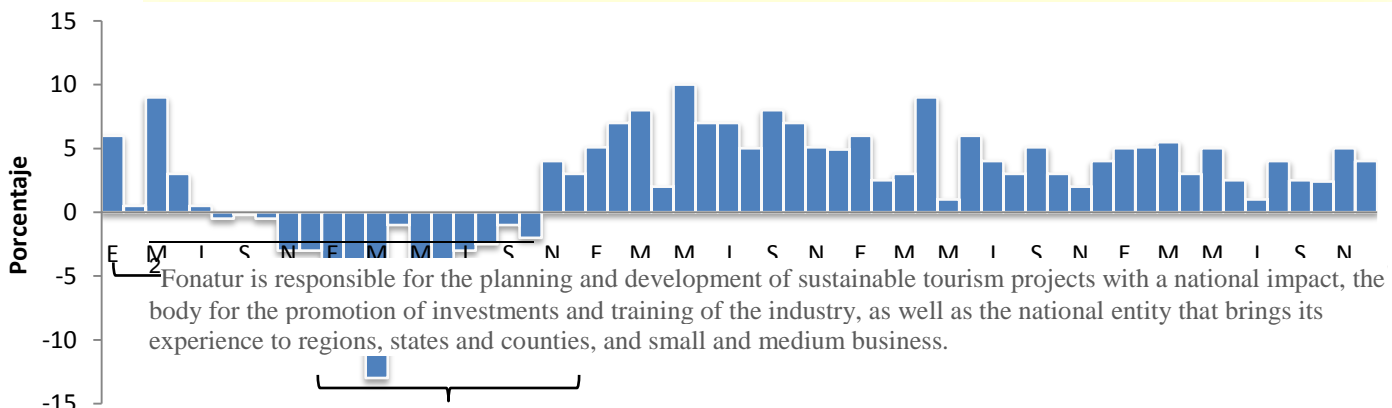
According to the president of Mexico, Enrique Peña Nieto, tourism is a strategic priority activity for economic growth. Therefore the Mexican state coordinates activities related to tourism development, providing the necessary financial support and develop tourism infrastructure through trusts and the National Fund for Tourism Development (Fonatur).²

Tourism has the capacity to generate foreign currency and employment; also contributes to regional development and has a “carryover effect” in sectors such as trade, construction, communications and transportation, so the industry has become a strategic sector for national economic development.

However, revenue from tourism growth in Mexico has shown a mixed performance relative to other actors in the local economy such as oil, remittances and foreign direct investment (FDI). This does not mean the industry has decreased the flow of national and international tourists, but other industries have shown greater dynamism.

The performance of the national and international tourism has been affected by the global economic crisis in 2008, the health risk for the H1N1 virus in 2009 and the negative image of an unsafe destination for the violence that projects the country. As a result, in April and May 2009, a historic 51.8 percent decline in the number of tourists visiting the country was observed.

Figure # 2. Evolution of international tourist arrivals in the world 2008-2012



Fonatur is responsible for the planning and development of sustainable tourism projects with a national impact, the body for the promotion of investments and training of the industry, as well as the national entity that brings its experience to regions, states and counties, and small and medium business.

Source: Data from Source: WTO and CNET

Figure 2 shows how was the impact of the two phenomenon (economic and the H1N1 virus) that affect the tourist industry during the years 2008-2009.

National and international tourism promotion campaigns have not been sufficient to reverse the negative effects; Tourism is important to the Mexican economy, not only by the number of visitors but by spending generated, ie, the economic flow.

In 2013 was a positive year in Mexico, since according to the WTO this year arrived in Mexico almost 24 million visitors as a result of the economic recovery in the United States, which is the leading exporter to destination to Mexico and is forecast in the coming years have a tendency to increase the flow.

2014 best performance in the industry since according to Datatur³ international tourist arrivals are expected from January to July was 16.872 thousand people, which is + 19.8% in the same period of performance capture exchange was \$ 9907.3 million + 18.2% the previous year, all reflecting greater stability of the national economy and a significant recovery in the US market.

Moreover, according to the Touristic Satellite Account, the activities related to this occupation give 2.5 million people directly; they receive nominal average earnings by nearly 30% higher than that observed for the economy as a whole.

The dark side of the tourism industry.

In this paper has been shown the international organization (WTO) and national one (SECTUR) which both emphasizes two primary variables which are the number of international tourists arriving in the country and the generation of economic resources to the same destinations, these two organizations have made minimal efforts to reduce the negative impacts in a typically destination, region or country that are affected. These negative effects are manifested in society (losing identity), the economy (temporally and low paid jobs) and the environment affecting protected areas).

The ideal way is to have a planned tourism development as it was executed with the Centers Program Integrally Planned CIPs by FONATUR, that analyzed the need for projects that affect minimally the environment as a matter of culture or no vision of sustainability, most

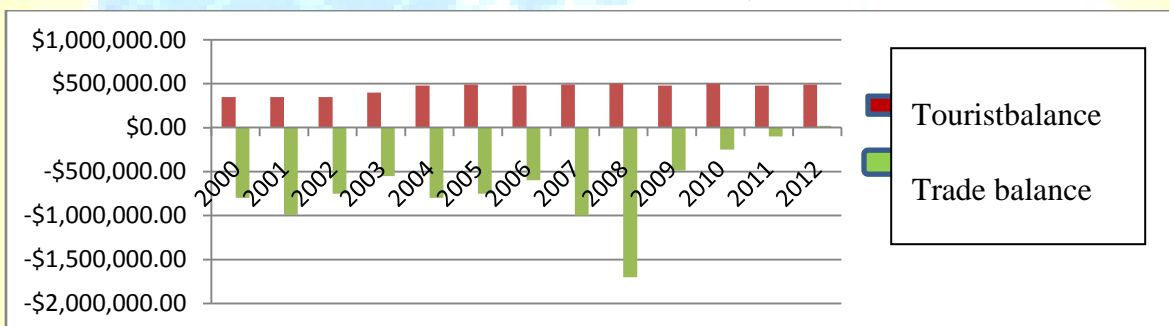
³Datur is an organ of the Federal Ministry of Tourism that gives statistical information from national tourism industry

centers of sea and sun of Mexico have been spaces with spontaneous development, ie with zero planning, as demand dictated to them the predator growth to continue and extremely negative local society effects the supply lack of basic services.

Tourism as a development in Mexico

Tourism, which is part of the tertiary sector of the Mexican economy, has been one of the largest generators of wealth in Mexico. According to the Ministry of Economy, the tourism sector was the main source of foreign currency for the country in the sixties, before the oil boom and development of the energy sector in Mexico. But in recent years oil and remittances have overtaken this position among the major areas of revenue collection in the country. Tourism industry is now in third place, after oil exports, remittances and before FDI.

Figure # 3 Comparisons of the Trade Balance and Tourist Balance in Mexico.(years 2000-2012-Millions of dollars).



Source: Bank of Mexico

In figure 3, the comparative table of the trade balance and tourism balance registered a surplus of the tourism sector, while the trade balance shows a deficit, both at the end of 2012. This shows that the tourism industry has been an item of great importance to the balance of payments, economic development and especially for creating jobs in Mexico.

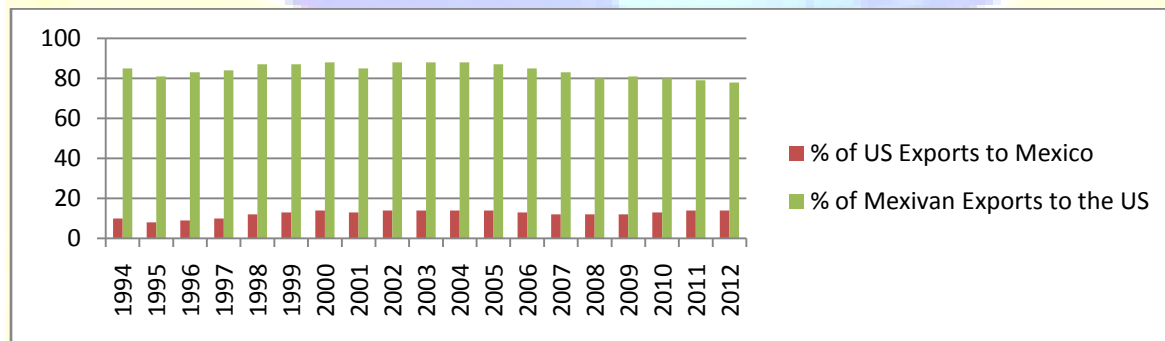
It is important to describe the evolution of tourism in Mexico over the years, because during the seventies, the sector accounted for 50% of the foreign exchange received nationwide later this proportion has decreased. This does not mean that it also decreased the amount of financial contribution but other economic actors are better positioned in national income,

especially since the nineties, thanks to a major trade agreement (NAFTA)⁴ and economic openness in the nation.

Also, given the current performance of the Mexican economy, it is even more important that the tourism sector is supported by the Federal Government as the two main sources of income of the country are volatile, as quickly diminish or disappear by global economic contractions, same with tourism, as happened in 2009 when Mexico experienced a substantial decline in international tourist arrivals by the pandemic that hit the country in which the flow of domestic tourists rescued this activity; if development is planned, it is equipped infrastructure and tourist destinations are promoted, it will be a less volatile source of income.

The undeniable dependence Mexico with the United States is palpable not only in tourism, but other sectors such as commercial, technological, manufacturing and energy exchange among others. This dependence has been catastrophic in several events in the history of Mexico, the most recent was in 2008 where the most influential country in the world has entered into an economic crisis that spread throughout the world, and consequently Mexico was affected by the same dependency effect of three main earnings Mexico such as: exports, remittances and tourism.

Figure # 4 Trade Relationships between Mexico and the United States (%)



Source: US Census Bureau and Mexico's Ministry of Economy

Figure 4 shows the dependence trade with the United States by Mexico, where through the years Mexico had a surplus against its neighbor in the north which is important but such dependence is almost complete, even in tourism industry, it would be ideal to diversify trade relations with

⁴ NAFTA, a free trade agreement between United States, Canada and Mexico, which is one of the most important in the world because its economic grow.

other countries like China and Germany which have an important development and are the main countries that spend more on tourism.

Support programs that have existed in Mexico at different times as part of income diversification strategies by the federal government or state governments, but they have just been wishful thinking, especially in election campaign promises, especially in areas less favored as rural areas. Often projects are politicized, there are no good information strategies or they just remain in good intentions, while in the rural areas, which I would call them “ghost towns” because they only survive in the two seasons: local festivities and Christmas, when Mexicans living abroad, especially in United States, visit their relatives and make regions signs of life.

Table 2. Tourism Income in millions of dollars by country. (2013)

Rank 2013	Rank 2012	Country	Income in millions of dollars	Growth rate
1	1	United States	139.6	10.6%
2	2	Spain	60.4	3.9%
3	4	France	56.1	1.3%
4	3	China	51.7	3.3%
5	5	Macao	51.6	18.1%
6	6	Italy	43.9	3.1%
7	9	Thailand	42.1	23.1%
8	7	Germany	41.2	4.5%
9	8	UK	40.6	13.2%
10	10	Hong Kong	38.9	17.7%
23	24	México	13.9	9.5%

Source: WTO and Bank of Mexico

Table 2 shows a comparison on national growth rate in tourism with 9.5% years 2012-2013, this has an impact on generation of direct and indirect jobs, as well as the relationship of economic units in the sector.

China and Germany as a target to diversify tourism in Mexico.

A market in which many countries have focused their target is China. This country of 1,300 million on population and an economic growth in recent years close to double digits has become a great option for diversifying international tourism; according to experts, in Mexico, the lack of public and private tourism promotion in China leaves country to capture up to 1,000 million dollars annually.

Table # 3. Main spenders in the tourism sector in 2013.

Rank 2013	Rank 2012	Country	Spending in millions of dollars	2013/2014	Balance 2010/2013
1	1	China	128.6	26.1%	19.2%
2	2	United States	86.2	3.3%	2.1%
3	3	Germany	85.9	2.3%	3.8%
4	5	Russia	53.5	24.9%	14.9%
5	4	UK	52.6	3.5%	2.5%
6	6	France	42.4	4.9%	5.0%
7	7	Canada	35.2	3.2%	8.4%

Source: WTO

The analysis on table 3, shows the importance of China in tourism, being the main spender in the tourism sector, with a great opportunity to first discuss their culture and then make a marketing strategy to partially capture this market; however, Mexico has been a good touristic partner with The United States, being the second in spending in the sector according to the above table, Mexico not only has a close trade dependence with the United States, a country where 85% of Mexican exports go, but also in tourism, with almost 10 million American tourists visited Mexico in 2013, representing almost 45% of international tourist visits spending \$ 3.100 million dollars.

Tourism investments

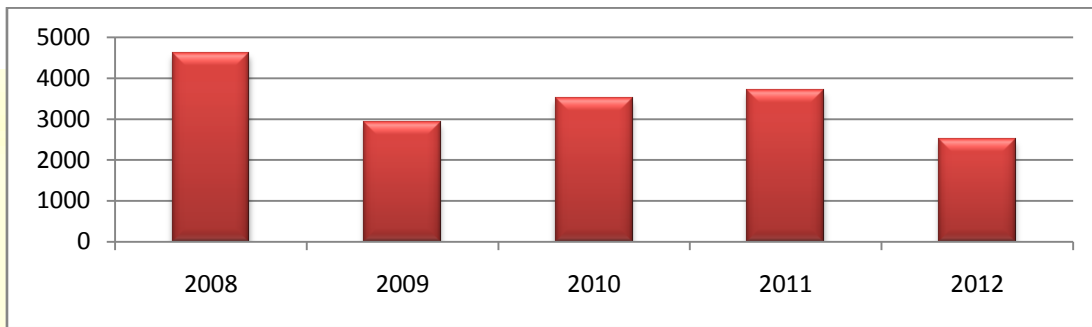
According to data from the Ministry of Tourism reported from January to September of 2013, the foreign income was 8.2 per cent higher than that recorded in the same period in 2012.

According to the Mexican Tourism Sector Program 2013-2018. The country ranks in the top 10 of the most reliable to invest (ninth in the list of AT Kearney) countries. The country is also recognized as the seventh priority investment destination in the world. In the Survey of Global Investment Perspective 2013-2015 of the United Nations Conference on Trade and Development (UNCTAD) Mexico jumped five places.

Nevertheless, it is clear that certain barriers still prevail to trigger increased funding and investment in tourism projects, so it is necessary to promote facilitation schemes to generate a better business environment in tourism. While data from the National Institute of Statistics and Geography (INEGI) of Gross Formation Tourist fixed capital indicates an average investment growth of 18% between 2003 and 2011, the latter year decline of about three percent presented. In addition, foreign direct investment (FDI) for the development of the tourism industry has declined in recent years: it went from \$ 435 million of dollars in 2004-106 million dollars in 2012.

In an evaluation on the results of the tourism private sector investment, the Ministry of Tourism (Tourism Ministry) explained that projects of hostelry were invested one thousand 679 million dollars, while real estate was over one thousand 148 million. With regard to recreation, the sum was 377 million; ancillary services, \$ 244 million, and food and beverages, \$ 76 million.

Figure #5 Private investments in the tourism sector. (2008-2012 in millions of dollars)



Source: National Tourism Secretary census investment (sector)

Figure #5 shows the behavior of foreign investment in the tourism sector in where in the year 2012 showed a activity less than what was expected, it can be assumed that foreign investors hoped do it after the new President of Mexico could make the reforms in different sectors, according to Rocha, R.

According to Rocha, (2013) in this six year period (2012-2018), the tourist industry begins with the right foot, being one of the sectors that greater support has had on the part of the president of the Republic, Enrique Peña Nieto, an addition, the so-called "industry without smokestacks", plays an important role in economic development.

Nowadays, Mexico live a good moment to receive Investment in tourism because its policy and financial stability, Infrastructure, quality tourism services, geographic location with outstanding natural and cultural attractions. Due to these factors, national and foreign investors have regained confidence in Mexican tourism industry.

Tourism has a significant support from the public and private sector, to be seen as an opportunity for economic growth for entrepreneurs and as an engine of development. Investments in the sector can make a significant improvement to the country. However, it requires a joint effort between business, state and federal governments, and local communities to work together towards making Mexico a more competitive destination; otherwise isolated efforts that can only be good intentions, of which the country will benefit not be made.

Number of international travelers

The National Institute of Statistics and Geography (INEGI) presented the quarterly indicators of tourism activity in the first quarter of 2014, Quarterly Tourism Indicator GDP increased 1.1 % annual rate in real terms. In its interior services grew 1.3 % and property 0.4 percent.

In the reference period, quarterly internal tourism consumption indicator rose 0.7 % compared to the first quarter of 2013. components of internal tourism consumption decreased 1.1 % and inbound tourism increased 14.9 percent.

Mexico can better exploit its tourism potential. The country has comparative advantages that are associated with its geographical location, the potential for connectivity to its extensive tourism inventory and ability to attract quality tourism products, however, it has lost market share in the world.

International indexes today placed Mexico under the positions held in the past, recording a loss of competitiveness to emerging destinations. Currently, the number of tourists visiting Mexico registered lower growth rates and economic activity generated by tourism is below the potential of the country. This has limited job creation and leveraging tourism benefits for the population is engaged in this activity and has, moreover, affected the creation of development zones and wellness tourism host communities.

Revenue by international visitors

The tourism industry in Mexico outlines a second consecutive year of record numbers. Between January and August last foreign currency rose 11,130.7 million and the arrival of 19.3 million foreign tourists were recorded, representing increases of 18.1 and 19 % , respectively.

The destinations of Cancun and Mexico City remain the main attractions for international visitors.

Based on figures reported by the Bank of Mexico last weekend, the Intelligence Unit of The Economist estimated that at the end of 2014 national attraction will be visited almost 27.7 million international tourists and have generated revenue, at least 16,400 million, amounts 14 and 18 % higher than those observed in 2013.

For international tourists, the increase was 2.7 %, from 496.3 to \$ 509.5 , derived from the behavior of sub-segments : inpatient tourists (who are the biggest spenders : 861.4 dollars) and border tourists. The former grew 10.4 % and the second fell 0.5 percent.

Table 4 Overall income of foreign exchange from tourism.(Billions of dollars)

	2011	2012	2013	% 13/12
Mundial	1079	1115	1195	7.2%
1 EE. UU.	150.9	161.2	173.1	7.4%
2 España	60.0	56.3	60.4	7.3%
3 Francia	54.8	53.7	56.7	5.6%
4 China	48.5	50.0	51.7	3.4%
5 Macao	38.5	43.7	51.6	18.1%
6 Italia	43.0	41.2	43.9	6.6%
7 Tailandia	27.2	33.8	42.1	24.4%
8 Alemania	38.9	38.1	41.2	8.1%
9 Reino Unido	35.1	36.2	40.6	12.2%
10 Hong Kong (China)	28.5	33.1	38.9	17.7%
23 México	11.9	12.7	13.9	9.5%

Source: Tourism Board.

In table 4 shows the main countries in attracting international currency and market share. While the perception of economic resources of international tourism to Mexico in 2012 was 12.7 billion the following year, 2013 increased to 13.9 billion in the past year Mexico has had a rise of 9.5% in income in the industry despite the negative perception of Mexico as a destination.

Conclusions:

As mentioned earlier in this article, since the independence of Mexico until the early nineties, the economy remained closed, with little participation in foreign trade and almost no financial participation and foreign investment (Cardenas, 2002). This ended with Mexico's entry into GATT (now the WTO) and this entry into force of NAFTA, which led to the Mexican society, could find several products and receive various services that used to be extremely difficult to get and pay for the high tariffs involving importation. This agreement has expanded the options for consumption and income in Mexico. There is no doubt that NAFTA has brought significant benefits to Mexico also in tourism and a higher income than the company has more opportunities to travel and tourism can be an important source of income.

In the international environment, economic activity in Mexico was affected in 2008 by a sharp decline in external demand, deteriorating terms of trade and a marked astringency in international financial markets, not to mention the influenza pandemic A-H1N1 that greatly affected the tourism industry in the following year.

The mortgage crisis that began in 2007 in that country led economic slowdown and recession. The financial crisis in the United States to Mexico affection for his heavy reliance of visitors from The United States is greater than 75%, not only the tourism sector was affected by these crises, but also the flow of goods between the two countries.

The tourism sector represents a great opportunity for the country to give priority to this sector and an important driver of generating welfare for society, current accounts shows the importance of this industry that rises 9% of GDP. As discussed in this article this industry has enjoyed steady growth internationally to a range of 5%, where it is shown that more people around the world travels.

Nationally there are striking opportunities for this industry to grow more aggressively, but I think that should give a higher priority to the sector and thereby give more promotion, not to mention strengthen certain competitiveness variables such as: investment in general infrastructure and tourism, facilitate the entry of international visitors, diversify supply, keep touch with sustainable natural and cultural attractions, and finally try the least impact to the environment.

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