

Japan International Cooperation Agency (JICA)  
Secretariat of Tourism (SECTUR)  
The Government of United Mexican States

**The Study**  
**on Formulation of Tourism Development and Promotion Strategies**  
**for the Selected Tourism Destinations in Mexico**

**2**

**Final Report**  
**Volume -2**  
**National Strategy**

**February, 1997**

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The exchange rates applied in this study are:

US\$ 1.00 = \$ 7.5 (Mexican Peso)

(As of December 1996)

## PREFACE

In response to a request from the Government of United Mexican States, the Japanese Government decided to conduct a study on Formulation of Tourism Development and Promotion Strategies for the Selected Tourism Destinations in Mexico and entrusted the study to Japan International Cooperation Agency (JICA).

JICA sent to United Mexican States a study team headed by Mr. Takahide Fujihira, and composed of members from Pacific Consultants International and System Science Consultants Inc. three times from September 1995 to October 1996.

The team held discussions with concerned officials of the Government of United Mexican States, and conducted field surveys. After the team returned to Japan, further studies were made and the present report was prepared.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of United Mexican States for the close cooperation extended to the team.

February, 1997

A handwritten signature in black ink, reading "Kimio Fujita". The signature is written in a cursive style with a horizontal line underneath it.

Kimio Fujita

President

Japan International Cooperation Agency

February 1997

Mr. Kimio Fujita  
President

Japan International Cooperation Agency (JICA)  
Tokyo, Japan

Letter of Transmittal

Dear, Sir:

We are pleased to formally submit herewith the report of "The Study on Formulation of Tourism Development and Promotion Strategies for the Selected Tourism Destinations in Mexico".

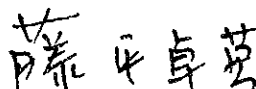
This report compiles the results of the study which was undertaken in the United Mexican States, from September 1995 to October 1996 by the study team, organized jointly by Pacific Consultants International and System Science Consultants Inc.

We owed a lot to many people for the accomplishment of this report. First, we would like to express our deep appreciation and sincere gratitude to all those extended their kind assistance and cooperation to the study team, in particular, officials concerned of Ministry of Tourism, the United Mexican States, and Mexican counterpart team.

We also acknowledge the officials of your agency, the JICA advisory committee and the Embassy of Japan in the United Mexican States.

We wish the report would be able to contribute really to Mexico's people and socio-economic development in future.

Very truly yours,



---

Takahide Fujihira

Team leader

The Study on Formulation of Tourism  
Development and Promotion Strategies for the  
Selected Tourism Destinations in Mexico



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**Volume-2 National Strategy**  
**Table of Contents**

	Page
1. Background of the study	
1.1. Study objectives, study areas, and target years -----	1-1
1.2. Implementation of the study -----	1-3
2. Tourism development and promotion strategies and framework	
2.1. Review of existing contidions-----	2-1
2.2. Directions for tourism development and promotion -----	2-22
3. Tourism development and promotion plans	
3.1. Local participation in tourism-----	3-1
3.2. Introduction of theme parks -----	3-6
3.3. Tourism use of Mexican cities-----	3-7
3.4. Legal control of tourism development-----	3-10
3.5. Revitalization of existing tourism centers -----	3-17
3.6. Introduction of tourism circuits -----	3-19
3.7. Decentralization and multi-state tourism administration -----	3-42
3.8. Improvement of travel conditions-----	3-50
3.9. Enhancement of tourism capacitation and supports for tourism-related SMEs-----	3-60
4. Tourism promotion plan	
4.1. Issues and future directions for existing promotional meassures -----	4-1
4.2. Additional tourism promotion programs -----	4-4
4.3. Directions by regional market segment-----	4-4
5. Tourism development framework	
5.1. Tourism development framework-----	5-1
5.2. Frameworks of tourism related facilities -----	5-12
6. Environmental and social considerations	
6.1. Natural and urban environmental considerations-----	6-1
6.2. Social considerations -----	6-10

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## **Organization of this report**

The final report is composed of 4 separate volumes. Contents of the 4 volumes are as follows:

Volume-1: Summary  
(Summary of Volume-2 and Volume-3)

Volume-2: National Level Strategy  
(National level tourism plans and proposals that support tourism development and promotion plans at three destinations.)

Volume 3: Regional Strategies of Selected Destinations  
(Tourism development and promotion plans for chosen three destinations including financial analysis, action and initial environmental evaluation.)

Volume 4: Technical Documents  
(Supplemental studies and data)

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### Abbreviation

AAIR	Annual Average Increase Rate (Crecimiento Promedio Anual)
API	Administration of Integral Port (Administración de Puerto Integral)
ASA	Department of Airport and Auxiliary Service (Aeropuertos y Servicios Auxiliares)
BANOBRAS	National Bank of Public works and services (Banco Nacional de Obras y Servicios Publicos)
B/C	Benefit and Cost (Beneficio y Coste)
BR	Biosphere Reserve (Reserva de la Biosfera)
CESTUR	Tourism Reserch Institute (Centro de Estudios Superiores en Turismo)
CFE	State Commission of Electric (Comisión Feferal de Electricidad)
CLFC	Central Electric and Power Company (Compañía de Luz y Fuerza del Centro)
CMPT	Mexican Tourism Promotion Council (Consejo Mexicano de promoción turística)
CNA	National Water Commission (Comicion Nacional del Agua)
EIA	Environmental Impact Assessment (Establecimiento del Impacto Ambiental)
EIRR (TIRE)	Economic Internal Rate of Return (Tasa Interna de Retorno Económico))
EPR (EPC)	Employee Per Room (Empleados Por Cuarto)
FIRR (TIRF)	Financial Internal Rate of Return (Tasa Interna de Retorno Financiero)
FIT (VTI)	Foreign Independent/Individual Travel (Viajero Totalmente Independendiente)
FNM	National Railways of Mexico (Ferrocarriles Nacional de México)
FONATUR	National Fund for Tourism Promotion (Fondo Nacional de Fomento al Turismo)
FTL (LFT)	Federal Tourism Law (Ley Federal de Turismo)
GDP (PIB)	Gross Domestic Products (Producto Interno Bruto)
GRDP (PRIB)	Gross Regional Domestic Products (Producto Regional Interno Bruto)

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IDB (BID)	Interamerican Development Bank (Banco Interamericano de Desarrollo)
IEE (EIM)	Initial Environmental Examination (Evaluación Inicial del Medioambiente)
INAH	National Institute of Anthoropology and History) (Instituto Nacional de Antropología e Historia)
INE	National Institute of Ecology (Instituto Nacional de Ecología)
INEGI	National Institute of Statistics, Geography and Informatics (Instituto Nacional de Estadística Geografía e Informática)
INI	National Institute of Indigenous (Instituto Nacional Indigenista)
IPC (CIP)	Integrated Planned Center (Centros Integralmente Planeados)
ITC (CTI)	Integrated Tourism Center (Centros Turísticos Integrales)
JICA	Japan International Cooperation Agency (Agencia de Cooperación Internacional del Japón)
JNTO	Japan National Tourist Organization (Organización Nacional Turística del Japón)
JTA	Japan Tourist Associaton (Asociación Turística del Japón)
JTB	Japan Travel Bureau
LGEEPA	General Law of Environment (Ley General de Equilibrio Ecológico y Protección Ambiental)
NGO (ONG)	Non Governmental Organization (Organización No Gubernamental)
NP	National Park (Parque Nacional)
PROFEPA	Federal Agency for Environmental Protection (Procuraduría Federal de Protección Ambiental)
RCI	Resort Condominium International
SBR	Special Biosphere Reserve (Reserva especial de la Biosfera)
SCT	Secretariat(=Ministry) of Communication and Transportation (Secretaría de Comunicaciones y Transportes)
SECOFI	Secretariat of Commerce and Industrial Promotion (Secretaría de Comercio y Fomento Industrial)
SECTUR	Secretariat of Tourism (Secretaría de Turismo)
SEDESOL	Secretariat of Social Development (Secretaría de Desarrollo Social)
SEMARNAP	Secretariat of Environment, Natural resouces and Fishing (Secretaría de Medio Ambiente, Recursos Naturales y Pesca)
SES	Secretariat of Health (Secretría de Salud)

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SHCP	Secretariat of Finance and Public Credit (Secretaría de Hacienda y Crédito Público)
SINAP	National System of Nature Protected Areas (Sistema Nacional de Areas Naturales Protegidas)
STT	Special Interest Tours (Viaje de Interés Especial)
SMEs (PMÉs)	Small- and Midium- sized Enterprises (Pequeñas y Medianas Empresas)
SNIT	National System of Tourism Information (Sistema Nacional de Información Turística)
UNEP (PNUMA)	United Nations Environment Programme (Programa de las Naciones Unidas para el Medio Ambiente)
VFR	Visit Friend and Relatives (Visito a Familia y Amigos)
WTO	World Tourism Organization (Organización Mundial del Turismo)

#### Glossary of special terms

\$	Mexican Peso (Peso mexicano)
US\$	US dollar, [US\$1 = 7.5 Mexican Pesos] (Dólar de Estados Unidos, [US\$1 = 7.5 Pesos mexicanos])
N.A. (N.D.)	Not available (No disponible)
p	Preliminary (Preliminar)
--	Non applicable (No aplicable)

Chapter 1.

# Background of the study

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# 1. Background of the study

In response to the request of the Government of the United Mexican States (hereinafter referred to as "GOM"), the Government of Japan (hereinafter referred to as "GOJ") determined to conduct the Study on Formulation of Tourism Development and Promotion Strategies for the Selected Tourism Destinations in Mexico (hereinafter referred to as "the Study").

The Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of GOJ, will undertake the Study in accordance with the Scope of Work agreed upon between representing GOM and the JICA Preparatory Study Team on April 27th, 1995 and the relevant laws and regulations in force in Japan. On the part of GOM, the Secretariat of Tourism (hereinafter referred to as "SECTUR") acted as the counterpart agency to a Japanese study team and also coordinate relations with other governmental and non-governmental organizations during the Study.

## 1.1. Study objectives, study areas, and target years

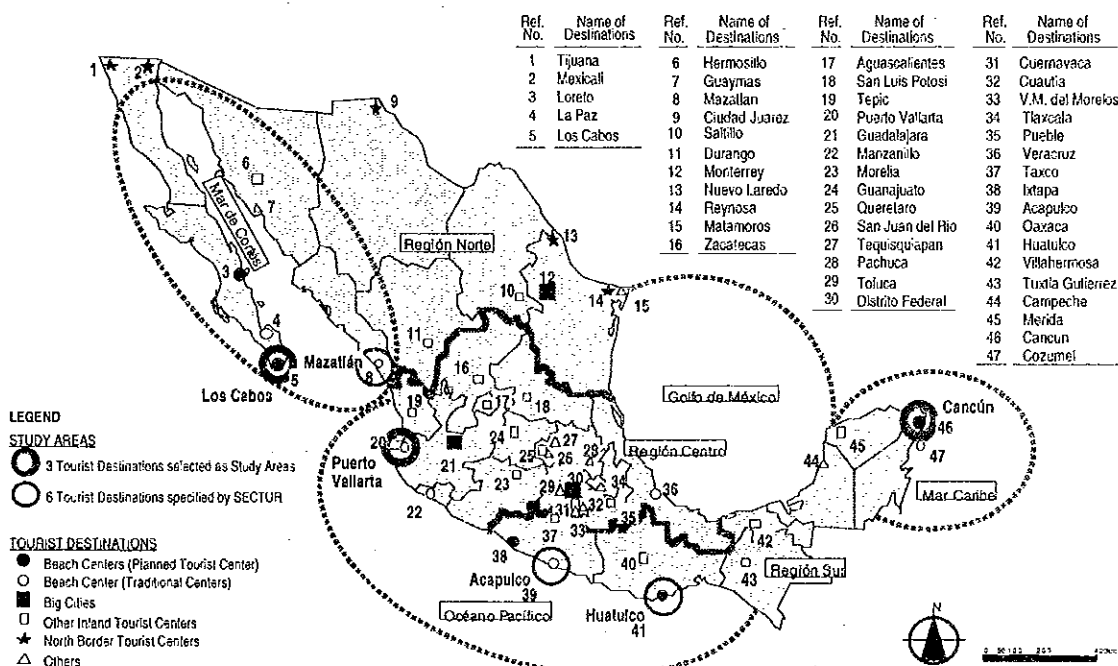
The followings are the basic items for the study agreed between the JICA Preparatory Study Team and SECTUR.

### 1.1.1. Study objectives

Objectives of the study were:

- To undertake evaluation and analysis of the past tourism development at the selected tourism destinations in Mexico,
- To formulate tourism development strategies for the study area based on the evaluation and analysis of the above,
- To formulate tourism promotion strategies for the study area, and
- To propose strategies for the other destinations of Mexico.

Figure 1.1 Location of JICA study area and major tourist destinations in Mexico



Note: V. M. Morelos of Ref. No. 33 in the above figure is not a destination, but a group of tourism places.

Source: JICA study team

### 1.1.2. Study areas

Study areas are chosen and agreed as follows:

- Los Cabos,
- Puerto Vallarta, and
- Cancun.

The study areas above were agreed between the JICA study team and SECTUR on December 12, 1995. They were chosen from the six destinations proposed by SECTUR for the study, namely: (1) Los Cabos, (2) Mazatlan, (3) Puerto Vallarta, (4) Acapulco, (5) Huatulco, and (6) Cancun. (refer to Figure 1. 1)

Subsequently the study team employed a hierarchical system consisting of four(4) levels for respective study areas as shown in Table 1. 1.

**Table 1. 1 Levels of the study areas**

	Levels	Coverage	Issues
Study Area Level	Level-1	Beach center	<ul style="list-style-type: none"> <li>- Development of tourism products; creation of value added, new products</li> <li>- Proposal of tourism development and promotion projects</li> </ul>
	Level-2	One-day trip area	<ul style="list-style-type: none"> <li>- Development of tourism products; creation of value added, new products</li> <li>- Proposal of tourism development and promotion projects</li> </ul>
	Level-3	Tourism corridor / tourism zone	<ul style="list-style-type: none"> <li>- Development of tourism products; creation of value added, new products</li> <li>- Proposal of tourism development and promotion projects</li> <li>- Project long list</li> <li>- Economic analysis</li> <li>- Action Plan with IEE and Project profiles</li> </ul>
	Level-4	Tourism circuit / tourism region	<ul style="list-style-type: none"> <li>- Development of tourism products; creation of value added, new products</li> <li>- Proposal of tourism promotion projects</li> </ul>
National Level		Mexico	<ul style="list-style-type: none"> <li>Proposal of measures to solve national tourism issues</li> <li>- Diversification of tourism supply and demand</li> <li>- Tourism administration</li> <li>- Tourism reception system</li> <li>- Tourism information system</li> <li>- Physical development plans</li> <li>- Tourism promotion plan</li> <li>- Sustainable tourism development</li> <li>Selection of the study areas</li> <li>Application of the study results to other destinations</li> </ul>

Source: JICA study team

### 1.1.3. Target years

The target years of the study are:

- Year 2010 for the strategy formulation, and
- Year 2002 for the action plan

The target year for the strategy formulation is divided into three (3) phases as:

- short-term (1996-2000),
- middle-term (2001-2005), and
- long-term (2006-2010).



## 1.2. Implementation of the study

### 1.2.1. Study organization and participants

The study was conducted by the JICA study team with the counterpart team of Mexico composed of representatives from SECTUR and relevant agencies. A Steering Committee was established by SECTUR to provide comments on the study, and a JICA Advisory Committee was also established by JICA.

The members of each committee and team are shown in the lists below:

**Table 1.2 Members of the steering committee and the Mexican counterpart team**

	Name	Position
Chairman	Mr. Ignacio Zamarrón Garza	Coordinador de Asesores de la C. Secretaria de Turismo
Member	Mr. Sigfrido Paz Paredes	Subsecretario de Desarrollo Turístico, SECTUR
Coordinator	Mr. Ricardo Ampudia M.	Subsecretario de Promoción Turística, SECTUR
	Mr. Carlos Alcudia Garcia*	Subdirector General de Operación Regional, FONATUR
	Mr. Eduardo Salim*	Subdirector General de Planeación FONATUR
	Mr. Juan José Calzada Marrufo	Representante del Gobierno de Quintana Roo
	Mr. Julio César Mena Brito**	Secretario de Turismo del Estado de Quintana Roo
	Mr. Fernando Bermúdez López	Representante del Gobierno del Estado de Baja California Sur
	Mr. Gustavo Farias Noyola**	Coodinador de Turismo del Estado de Baja California Sur
	Mr. Luis F. Klein Ramirez de Alba*	Coodinador Estatal de Turismo del Estado de Baja California Sur
	Ms. Ana Xóchitl Elizondo**	Representante del Gobierno del Estado de Jalisco
	Mr. Pablo Gerber Stump**	Secretario de Turismo del Estado de Jalisco

Note: The member with \*mark is only for the stage-1, and member with \*\*mark is only for the stage-2, while the member without mark is in charge through the study period. For the member only for the stage-1, his position is the one when he was in charge.

**Table 1.3 Members of the JICA advisory committee**

	Name	Position
Chairman	Mr. Kazuma Arino	Director, Transport Policy Bureau, Ministry of Transport
Member	Mr. Keiichiro Takadera	Deputy Manager, General Affairs Dept., Japan National Tourist Organization
JICA	Mr. Masahiro Yamashita	Economist, Institute for International Cooperation, JICA
	Mr. Toru Naito	Social Development Study Department, JICA, Tokyo
	Mr. Hirofumi Matsuyama	Sub-director, JICA Mexico

**Table 1.4 Member of the counterpart team**

	Name	Position
Coordinator Member	Ms. Taeko Shimizu Kano	Directora General Política Turística, SECTUR
	Mr. Raul Carrillo**	Director General de Administración, SECTUR
	Mr. Carlos Fernández	Director General de Mercadotecnia, SECTUR
	Mr. Juan Noriega G.	Director de Fomento a la Infraestructura Básica y al Transporte, SECTUR
	Mr. Eduardo Salim**	Coodinador de Programas Especiales y Estatales, SECTUR
	Mr. Cuauhtemos Cisneros Madrid	Director de Información al Turista, SECTUR
	Mr. Manuel Arce Rodea**	Gerente de Control Patrimonial, FONATUR
	Mr. Carlos Alcudia Garcia**	Director Adjunto de Desarrollo, FONATUR
	Mr. Luis Trujillo**	Director de Planeación y Evaluación, SECTUR
	Mr. Antonio Escobedo Aguirre	Director de Estadísticas Demográficas y Sociales, INEGI
	Mr. Ricardo de la Peña**	Director General de CESTUR
	Mr. Jesús Población**	Director del Sistema Integral de Información Turística, SECTUR
	Mr. Arturo León Morales Isunza*	Director General de Programación, Organización y Presupuesto, SECTUR
	Mr. Hugo Malo Juvera Rocha*	Director de Proyectos y Construcción, FONATUR
	Mr. Clemente Nieto Cruz*	Gerente de Planeación y Estadística, FONATUR
	Mr. Mario del Río*	Encargado del Departamento de la Dirección de Puertos y Marina Mercante, SCT
	Mr. Pablo Alvarez Icaza*	Director de Análisis Económico, SECTUR
Mr. Alfonso Jimenez*	Director de Programación Sectoral, SECTUR	

Note: The member with \*mark is only for the stage-1, and member with \*\*mark is only for the stage-2, while the member without mark is in charge through the study period. For the member only for the stage-1, his position is the one when he was in charge.

**Table 1.5 Member of the JICA study team**

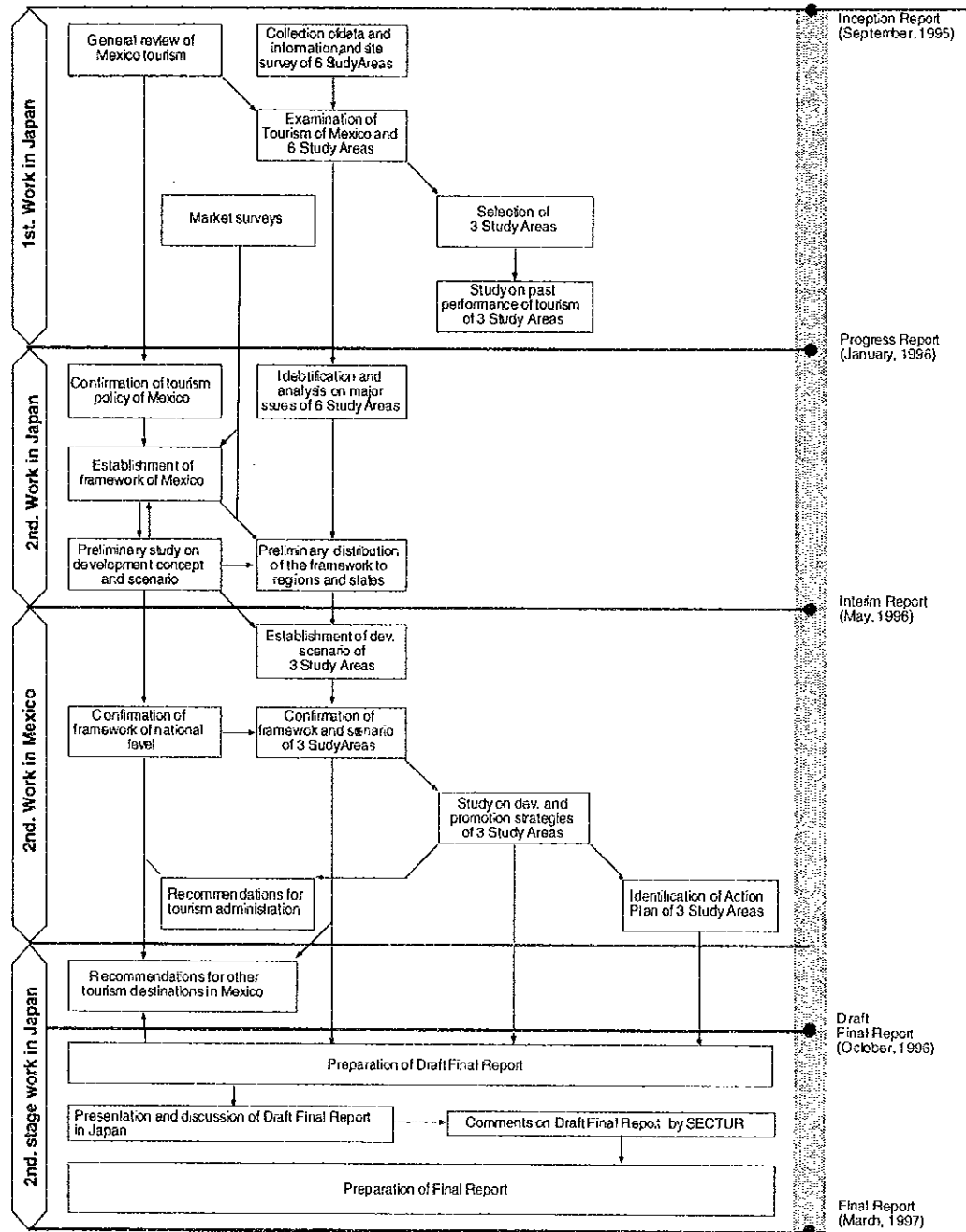
	Name	Assignment
Team Leader	Mr. Takahide Fujihira	Team Leader/Tourism Development Planning
Member	Mr. Yasutaka Nagai	Tourism Resource Evaluation
	Mr. Keizo Yamasaki	Tourism Administration/Institution/Organization
	Mr. Fumihiro Sampei	Tourism Promotion Planning
	Mr. Yoshiki Hirabayashi	Tourism Marketing (Phase-1/2)/ Social Sector Analysis (Phase-2)
	Mr. Goro Hirata	Regional Planning/Landuse Planning
	Mr. Tetsuro Okamoto	Tourist Facility Planning
	Mr. Kotaro Yamada	Transport Planning
	Mr. Shouzo Kawasaki	Tourism Infrastructure Planning
	Mr. Kozo Baba	Economic Analysis
	Mr. Hideyuki Sasaki	Natural and Urban Environment Analysis
	Mr. Takashi Inoue*	Social Sector Analysis (Phase-1)
	Mr. Jorge G. Tokeshi*	Administrative Coordinator (Phase-1)
	Mr. Shingo Sato**	Administrative Coordinator (Phase-2)

Note: The JICA study team member with \*mark is only for the stage-1, and member with \*\*mark is only for the stage-2, while the member without mark is in charge through the study period.

### 1.2.2. Implementation of the study

The study was conducted in Japan and Mexico from September, 1995 to February, 1997 according to the work flow shown in Figure 1. 1. Several reports were submitted as indicated in Figure 1. 1 to report on the progress and confirm on performance of the study conducted by the JICA study team.

Figure 1.1 Work flow of the study



Chapter 2.

# **Tourism development and promotion strategies**

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## 2. Tourism development and promotion strategy

### 2.1. Review of existing conditions

#### 2.1.1. Socioeconomic conditions of Mexico

Table 2. 1 summarizes major socioeconomic indices of Mexico. It is noted that Baja California Sur and Quintana Roo where Los Cabos and Cancun are located, are the states with tertiary industry, or more precisely, tourism as the mainstay of their economy. Jalisco state where Puerto Vallarta is located, is one of the wealthy states in Mexico in terms of GDP per capita.

**Table 2. 1 Major indices of socioeconomic conditions**

Items	Indices	Descriptions
Population (1,000)	81,249.6	- Sex ratio: male: female = 49.1: 50.9 - Average growth rate: 2.0 % (1989-1980) - Populous states: Mexico (9, 816), Distrito Federal (8,236), Veracruz (6,228)
Employment (1,000)	23, 403.4	- Composition of primary : secondary : tertiary = 23.4 : 22.6 : 27.8 Primary: Chiapas (58.3%), Oaxaca (52.9%) Secondary: Nuevo Leon (40.2%), Coahuila (37.3), Mexico (36.8%) Tertiary: Distrito Federal (68.3%), Baja California Sur (59.5%), Quintana Roo (58.3%)
GDP (mil. \$)	1,125.6	- Highest states: Distrito Federal (313.04), Mexico (118.32), Jalisco (78.89) - Lowest state: Baja California Sur (4.25), Campeche (4.91), Quintana Roo (5.49)
GDP per capita (\$)	13,837.0	- Highest states: Distrito Federal (38,010), Tabasco (22,175), Nuevo Leon (21,457) , Jalisco (14,877), Coahuila (14,845) - Lowest states: Baja California Sur (2,558), Oaxaca (5,749), Guerrero (6,304), Chiapas (6,662), Michoacan (7,759)

Source: INEGI (1990 Census)

#### 2.1.2. Overview of Mexican tourism

##### (1) Chronology of Mexican tourism

Mexico's tourism administration has a long history. In the late 1920s, she started its history of tourism promotion. In the late 1940s and early 1950s, Acapulco started to grow as a tourism destination.. Cuban Revolution in 1959 consolidated Acapulco's status as a popular resort for the USA. The First Federal Tourism Law was established in 1949. Beach resorts tourism in Mexico continued to grow but not as at high rates as Hawaii and Caribbean.

In 1960, a section in the Ministry of Economy was promoted to the Department of Tourism. In the late 1960s, the Department of Tourism prepared a National Tourism Development Program and formed institutions to support the tourism development .

In 1974 the Federal Tourism Law had second revision. FONATUR was established by merging FOGATUR and INFRATUR to provide financial and technical assistance to the tourism sector. The Department of Tourism changed its name to the Secretaria de Turismo (SECTUR) in December, 1974. Since 1975, FONATUR has prepared master plans and developed five beach resort areas: Cancun, Ixtapa-Zihuatenejo, Loreto, Huatulco, and Los Cabos.

In 1980 functions of SECTUR was strengthened in accordance with the third revision of the Tourism Law. In 1982, however, the government started to restructure and simplify tourism administration. In 1994 Mexico signed to join the North American Free Trade Agreement (NAFTA) and OECD but suffered from an economic crisis caused by sudden devaluation of Peso.

Table 2. 2 is a chronological chart of the Mexican tourism since 1910 to 2010, the target year of this study showing history up to 1995.

**Table 2.2 Chronology of Mexican tourism**

Year	Main Events of Mexico	President (Administrative)	Main Events related to Tourism	Tourism Practices	Main Events of Tourism Administration	Intl Tourists (1,000)	
Year						XX	YY
1910	The Mexican Revolution						
1917	New constitution	J. Carranza					
1920-23		de la Huerta (Provisional)					
1924		P. Elias Calles					
1925	Establishment of Banco de Mexico						
1926	Revelation of Cuernavaca de los Chiles (1926)						
1927		E. Pones Gil			Tourism Promotion Council under Secretary of Gobernacion (Ministry Interior)		
1928							
1929	Establish FNR (Federal PHU)						14
1930		P. Ota Rubio					24
1931							42
1932		A. Rodriguez			Department of Tourism Secretariat de Economia Nacional		37
1933-34							40-64
1935		C. Cárdenas					75
1936	Appalach grant reform						82
1937	Nationalization of railways						130
1938	Nationalization of oil industry						103
1939							128
1940		38: 18 - 44)					128
1941		M. Avila Camacho					166
1942	Interventorship in industry: War declaration to Axis power						90
1942-45							127-157
1946	Establish Institutional Revolutionary Party (PRI)	39: 17 - 44)	Significance of tourism industry for Mexico economy by M. Avila Camacho President Candidate				255
1947		M. Alemán F.	Policy of priority road, II, new networks and expansion of total stock		Establish National Tourism Council		240
1948							253
1949			Mexican road committee, development of trunk road network	Federal Tourism Law (FTL)			308
1950			Oper. of Mexico City INT Airport				384
1951							425
1952	Completion of Mexico University town	52: 13 - 35)	Complete Pan American highway (2,400km) in Mexico				443
1953	Stipuro Program between Mexico and USA	R. Ruiz Cortines			Policy to intensify activities in tourism promotion, simplification of immigration procedures		426
1954	Devaluation of Peso		Breaks 00,000 international tourists line				505
1955							537
1956			Establish Road Development Authority, start the El Ombu terminal in Guadalupe		Establish FOGATUR (National Tourism Promotion Credit Fund)		568
1957	Earthquake in Mexico City						614
1958		53: 14 - 33)					640
1959	General Strike of Mexican Railway	A. López Mateos	Establish National (1st) based on Tourism, Open 8 tourism course in Mexico State University		Independence of the Department of Tourism, Establish overseas tourism offices		662
1960	Nationalization of Electricity Industry		Basic Policy of Tourism promotion by President, 2 private airlines started operation		Start survey to prepare an inventory of tourism resources in Mexico		761
1961			Factors main roads in Mexico	1st. revision of FTL	Establish National Tourism Council, Tourism Promotion Private Fund		803
1962					Preparation of the 1st. National Tourism Development Program, Establish Institution of Tourism, Mexico (INT)		941
1963			Project 1,000,000 international tourists line		Issue National Tourism Catalogue (1968)		1,059
1964	Construction of National Anthropology Museum/Museum of Modern Art Museum	39: 19-42)			Preparation of Coahuila Integrated Tourism Development Program		1,210
1965			Establish Institutes of Hotel Operation				1,380
1966	Modernization of airports	S. Diaz Mirón 2	Open 16th Airport international Airport				1,499
1967			Open a convention office of Mexico City	Regulations for Tourist Guides			1,829
1968	Olympic in Mexico City		Open a tourism course in Guadalupe University				1,879
1969			Break 2,000,000 international tourists line	Regulations for Tourist Agencies	Establish INFRATUR (Infrastructure Development Fund)		2,066
1970	New Labour law	55: 32 - 13)			Prepare 5 years National Tourism Development Plan 1969-1973		2,250
1971	Newly ratified labor law	Echeverría	1st. National Tourism Year of American Continental		Establish a student holiday program		2,500
1972			Break 3,000,000 international tourists line				2,915
1973	State of Texas, New foreign investment law						3,266
1974				2nd revision of FTL	Establish the Sectoral Tourism (SECTUR) and FOGATUR National Fund for Tourism Promotion		3,362
1975	Agree 2000 industrial parks economic industrial zone		Implementation of Tourism Integrated System Development Area, The 1st. TUBUS were held in Acapulco				3,218
1976	Devaluation of Peso	62: 23 - 5)					3,107
1977	Activation of development in Mexico	J. López Portillo	Introduce youth hostel				3,247
1978			Complete 1st phase of 140km highway by FOGATUR				3,766
1979	End of Crisis		Break 4,000,000 international tourists line				4,134
1980				3rd revision of FTL	Prepare National Tourism Sector Program	12,955	4,144
1981	North-South Corridor in Cancun		Start operation of CGLT and TGL by FOGATUR			13,199	4,038
1982	Regionalization of States, Financial crisis in Mexico	41: 33 - 26)				12,634	4,767
1983		M. de la Rosa				13,552	4,742
1984				4th revision of FTL	Organize the National Tourism Council to SECTUR and establishing of 64th SECTUR offices	12,646	4,654
1985	Earthquake in Mexico City				Establish SECTUR Tourism Research Center	12,850	4,207
1986	Drop in price				Implement Action Programs in Tourism Promotion (INPT)	12,580	4,625
1987			Break 5,000,000 international tourists line			14,361	5,407
1988		39: 41 - 29)	Construction of A-line business in Mexico			14,110	5,682
1989		J. Salinas	Break 6,000,000 international tourists line, Priority development policy of highways		Start promotion with Fondo MIA system in tourist destinations	14,964	6,186
1990	Join to GATT					17,172	6,393
1991			Major 120km intercontinental border promotion programs			15,096	6,372
1992				5th revision of FTL	Decentralized tourism administration	17,145	6,352
1993						16,440	6,625
1994	Re-evaluation of NAFTA and CECA financial crisis caused by devaluation		Break 7,000,000 international tourists line			17,182	7,136
1995		E. Zedillo (Current)	Start the JCA Study		1st. phase of the National Tourism Sector Development Program 1995-2000	20,162	7,761
1996					Established Tourism Cabinet, established CMT, approved Association Tax		
1997			Completion of the JCA Study				
1998							
1999							
2000							
2001							
2002-06							
2007							
2008-09							
2010	100th. year of the Mexican Revolution		Target Year of the JCA Study				

Note: For the columns of International tourists, XX shows the tourists who stay in Mexico more than 24 hours and YY shows Number of tourists except less than 72 hours stay in the border areas. The Figure in (A:B:C) shows the proportion of allocated federal budget in each Presidential administration as (A=Economic: B=Social: C=Administration).

Source: SECTUR, compiled by JICA study team

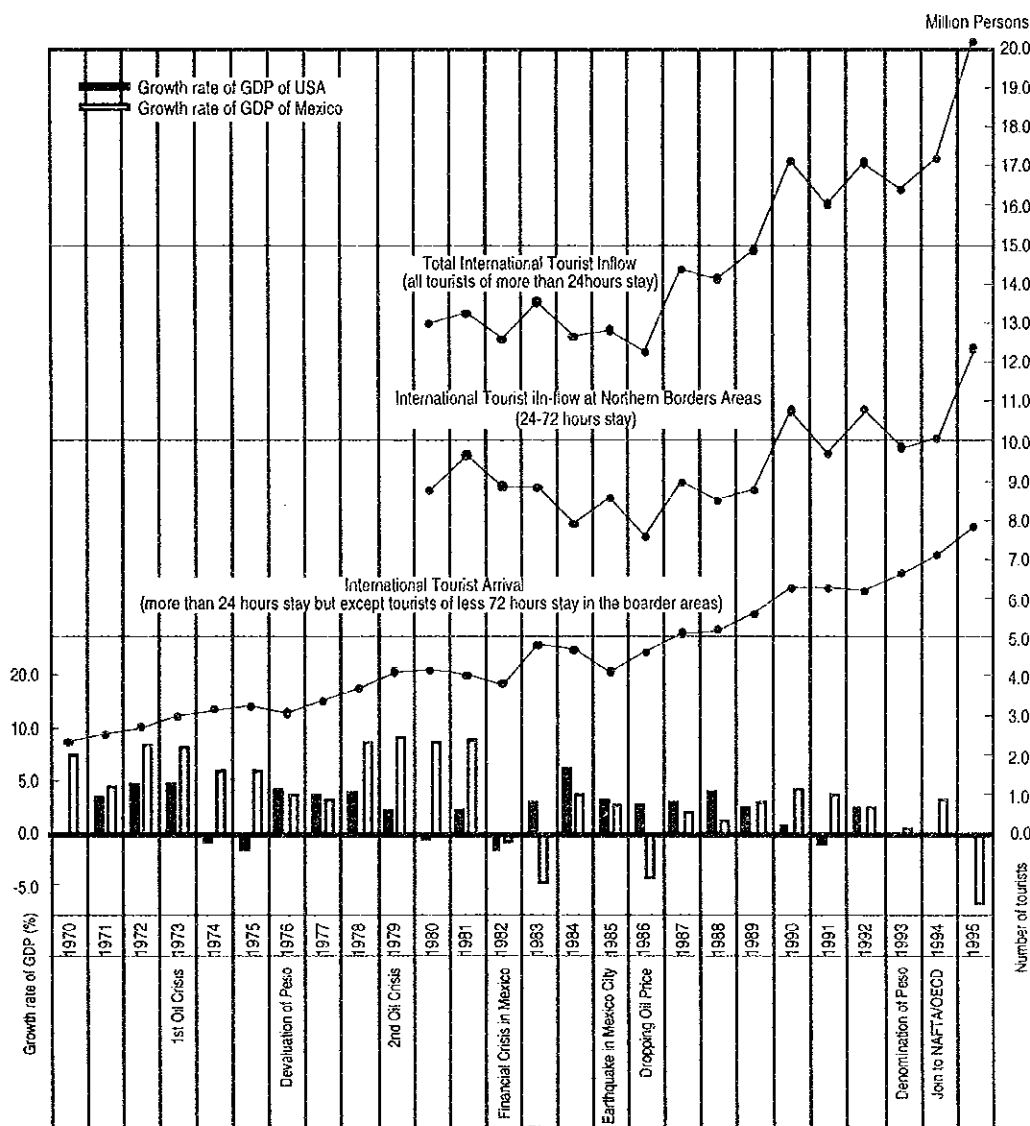
## (2) Visitor inflow and growth ratio of GDP

Figure 2. 1 shows growth of total visitor arrivals (number of visitors who stayed in Mexico more than 24 hours), border tourism (number of visitors who stayed in the border area from 24 to 72 hours), and visitor arrivals excluding border tourism, together with the growth rates of GDP of Mexico and USA for reference.

The growth rates of total visitor arrivals in 1980s and 1990s were 2.9% and 3.3%, respectively. Annualized growth rates of international visitor arrivals excluding border tourism during the 1970s, 1980s, and 1990s were 6.3%, 4.4%, and 4.0%, respectively. Oil Crisis in 1979 and global economic recession that followed the crisis gave damages to Mexico's international tourism. International tourism stagnated in 1991 and 1992, but recorded healthy growth rates of 4.3%, 7.7% and 9.1% in 1993, 1994, and 1995, respectively. Devaluation of Peso since the year end of 1994 gave a surge to tourism.

Some examples show that international tourism tends to grow when Mexico's economy is not favorable, and stagnate when the economy is in prosperity. This may suggest that tourism works as a shock absorbing device for the economy.

Figure 2. 1 Tourism inflow and growth ratio of GDP in Mexico



Source: SECTUR, JICA study team

Table 2. 3 shows the number of international visitor arrivals to Mexico by geographic market region. Border tourism constitute more than 61% of the visitor arrivals. 96% of visitor arrivals, if including border tourism, are from USA and Canada.

**Table 2. 3 International Visitors to Mexico by market region**

Year	International tourists except border tourists (24-72 hours stay at boarder areas) (x 1,000)														Intern'l tourists in boarder areas (24-72 hrs. stay)		Total of Intern'l tourists to Mexico
	North America						Europe		Latin America		Asia & Others		Sub-total No.	No.	Vary (%)		
	USA			Canada			No. (1,000)	Vary (%)	No. (1,000)	Vary (%)	No. (1,000)	Vary (%)					
	USA	Paisa no.	sub-total	Vary (%)	No. (1,000)	Vary (%)							Sub-total				
1980	2,947	496	3,443		170		3,613	241		254		37		4,144	8,821		12,965
1981	2,907	538	3,445	1.00	123	0.73	3,569	168	0.70	266	1.05	29	0.77	4,031	9,158	1.04	13,189
1982	2,728	513	3,241	0.94	86	0.69	3,326	173	1.03	242	0.91	27	0.95	3,768	8,866	0.97	12,634
1983	3,600	493	4,093	1.26	170	1.99	4,263	180	1.04	279	1.15	27	1.01	4,749	8,803	0.99	13,552
1984	2,864	1,071	3,935	0.96	188	1.11	4,122	214	1.19	290	1.04	29	1.06	4,654	7,992	0.91	12,646
1985	3,037	504	3,541	0.90	193	1.03	3,734	146	0.68	301	1.04	27	0.92	4,207	8,643	1.08	12,850
1986	3,363	532	3,895	1.10	247	1.28	4,142	149	1.02	318	1.06	18	0.62	4,625	7,633	0.88	12,258
1987	4,068	582	4,650	1.19	266	1.07	4,916	176	1.18	297	0.94	18	1.12	5,407	8,954	1.17	14,361
1988	4,072	945	5,017	1.08	313	1.18	5,329	112	0.64	225	0.76	26	1.41	5,692	8,448	0.94	14,140
1989	4,142	1,244	5,385	1.07	361	1.16	5,747	157	1.40	261	1.16	22	0.84	6,186	8,778	1.04	14,964
1990	4,144	1,454	5,598	1.04	294	0.81	5,892	189	1.20	277	1.06	36	1.66	6,393	10,779	1.23	17,172
1991	3,936	1,411	5,346	0.96	260	0.88	5,606	328	1.74	398	1.44	40	1.10	6,372	9,695	0.90	16,067
1992	3,764	1,556	5,320	1.00	276	1.06	5,596	362	1.10	363	0.91	33	0.82	6,352	10,794	1.11	17,146
1993	3,763	1,706	5,470	1.03	237	0.86	5,706	473	1.31	409	1.13	37	1.13	6,625	9,815	0.91	16,440
1994	4,190	1,835	6,025	1.10	213	0.90	6,238	412	0.87	439	1.07	46	1.24	7,135	10,047	1.02	17,182
1995	4,922	1,841	6,764	1.12	197	0.92	6,960	339	0.82	445	1.01	40	0.88	7,784	12,378	1.23	20,162
share in			86.9		2.5			4.4		5.7		0.5		38.6	61.4		100.0
1995 (%)	72.8	27.2	100.0		2.8		100.0							100.0			

Source: SECTUR

### (3) Tourism indices of Mexico in 1995

Several indices of Mexican tourism are shown in Table 2. 4 compared with those of world tourism. Mexico is ranked as 10th in the world in terms of international visitor arrivals though the percentage of GDP of the tourism sector is 5.0%.

**Table 2. 4 Indices of the Mexican tourism sector**

Description (unless specified, in 1995)	Unit	Mexico	Remarks	World
GDP of hotels and restaurants	(1,000 \$)	186,810	5.0 % of total GDP	10.9 %
Employment of hotels and restaurants	(1,000)	2,115	9.0 % of the country	204,000
Foreign investment in the tourism sector in 1994	(mil. US\$)	1,345	11.1 % of the country	11.4 %
Total visitor arrivals to Mexico	(1,000)	84,977	+ 0.2 % from 1993	
Visitor arrivals to Mexico (more than 24 hr. stay)	(1,000)	20,162	10 th of the world	431,000
Income by the total international visitors	(mil. US\$)	6,164	12 th of the world	336,000
Number of outbound Mexicans in 1994	(1,000)	113,887	- 1.1 % from 1993	
Outbound Mexicans who stay more 24 hr., in 1994	(1,000)	11,796	+15.8 % from 1993	
Expenditure by outgoing Mexicans in 1994	(mil. US\$)	5,363	- 3.6 % from 1993	
Balance between tourism revenue & expenditure 1994	(mil. US\$)	992	+ 64 % from 1993	
Number of hotel rooms in Mexico	(Nos.)	279,874	7th of the world	11,768,000
Average hotel room occupancy ratio in Mexico	(%)	47.1		
Fiscal revenue from tourism (VAT & Income Tax)	(1,000 \$)	3,903,500	3.52 % of the country	11.1 % (1995)

Note: Unless specified, indices are of 1994.

Source: SECTUR



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### 2.1.3. Mexico's tourism policies

The First National Tourism Development Program prepared in 1970 specified main objectives of the program as follows:

- to develop rural areas that are rich in tourism resources but have limited employment opportunities,
- to develop integrated tourism centers that stimulate regional economy,
- to improve and diversify the image of tourism attractions of Mexico, and
- to generate and increase foreign exchange earnings through tourism in short term, since tourism has the potential and possibility of immediate returns.

#### (1) National development plan 1995-2000

The objectives of the National Development Plan 1995-2000 are as follows:

- to strengthen the full performance of the national sovereignty,
- to consolidate the coexistence of the Mexican societies,
- to ensure the development of democracy,
- to ensure the social development, and
- to promote vigorous and sustainable economic growth.

The plan requires contribution of the Mexican tourism sector to the national socioeconomic development in the following aspects:

- to increase job opportunities,
- to increase foreign exchange earnings, and
- to encourage economies of the regions which have low industrial potential other than the tourism sector.

The plan also emphasizes the followings:

- Social development, and
- Environmental conservation.

#### (2) Tourism sector programs

Table 2. 5 compares tourism sector programs in the recent three presidential regimes. The objectives of the Program 1995-2000 is summarized as follows:

- to maintain, improve, and extend jobs in the tourism sector; intending to improve the tourism work conditions, to generate employment, and to increase productivity and compensation for those who work for the sector,
- to increase foreign exchange earnings from tourism,
- to encourage regional development; contributing by tourism to marginalized areas of the country where many tourism resources exist.
- to increase competitiveness of the tourism sector; based on the development of skills and performances, and
- to promote sustainable tourism development; promoting protection of the natural, cultural, and social environment, identifying their value to optimize the present usage as close interdependence with tourism activities, and encompassing the long-term productive usage of natural resources and appraise mending processes for cultural resources.

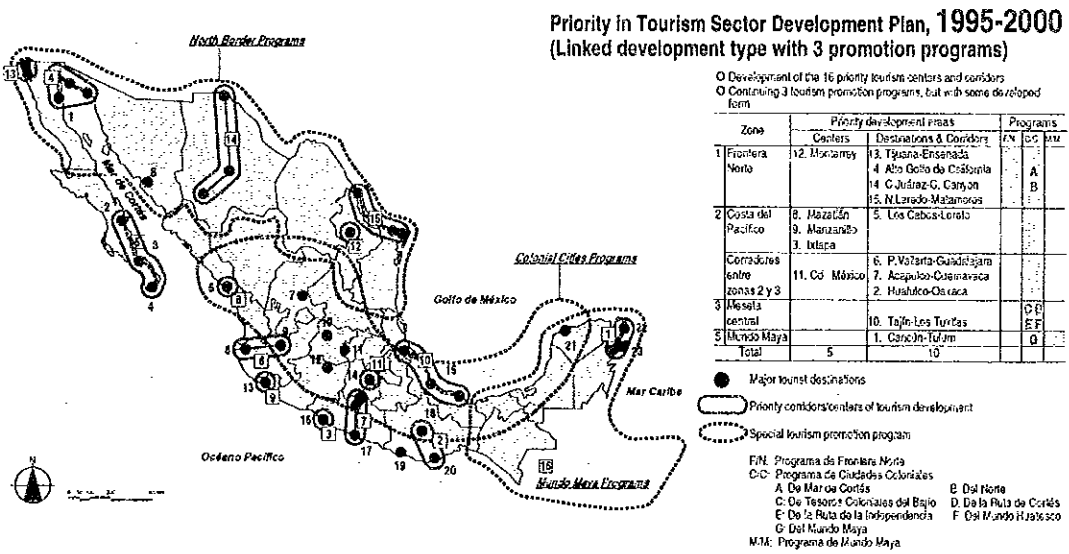
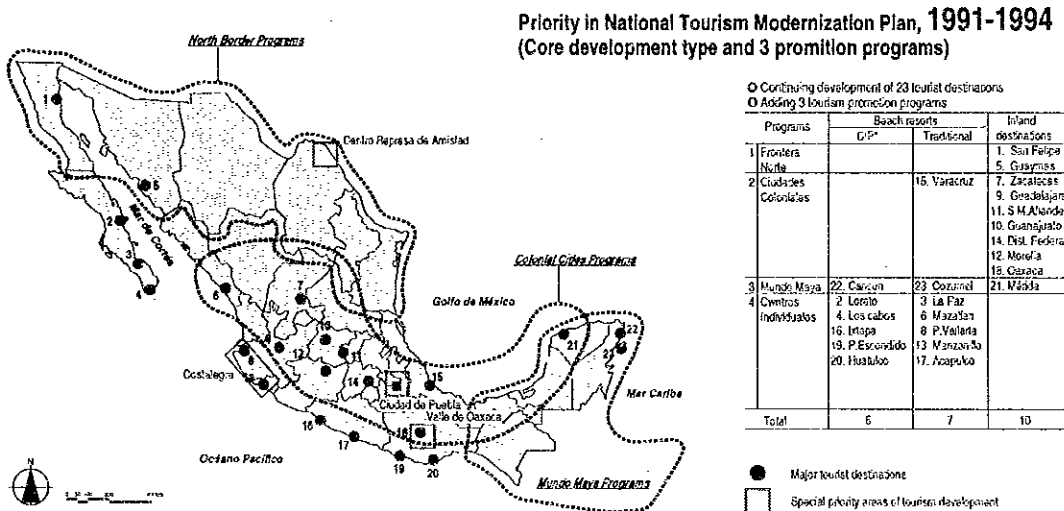
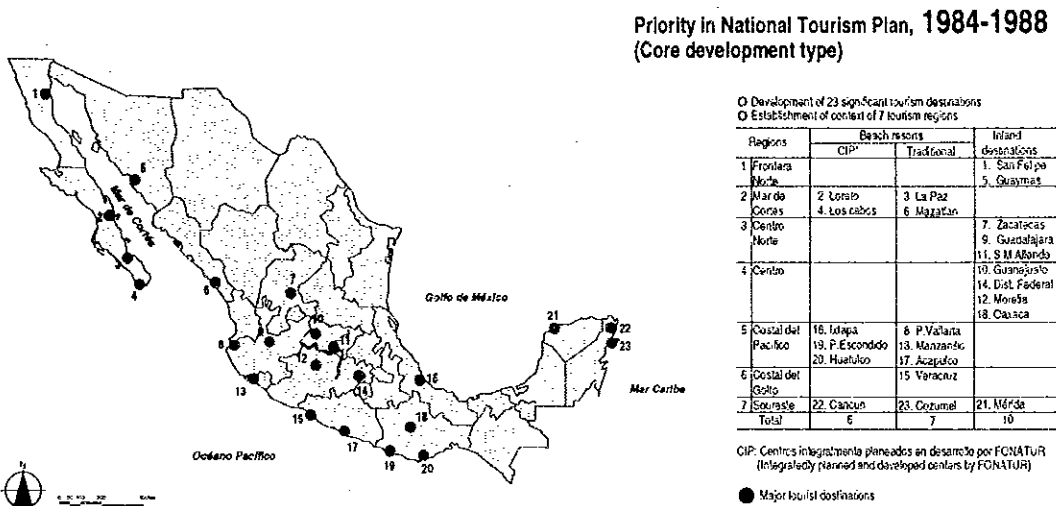
Figure 2. 2 shows the priority development and promotion programs graphically. It clearly shows that tourism development in Mexico is shifting from a spot type development to a linkage type. The necessity to link tourism centers is clearly mentioned in the Program 1995-2000 that has introduced various tourism corridors, which aim to diversify tourism products, create added values to existing products, develop new products, and upgrade product quality.

**Table 2.5 Tourism sector programs in the recent presidential regimes**

<b>National Tourism Program 1984-1988</b> (Programa Nacional de Turismo)	<b>National Tourism Modernization Program 1991-1994</b> (Programa Nacional de Modernización del Turismo)	<b>Development Program of Tourism Sector, 1995-2000</b> (Programa de Desarrollo del Sector Turismo)
M. de la Madrid (1983 - 1988) 4th revision of LFT, 1984	C. Salinas (1989 - 1994) 5th revision of LFT, 1992	E. Zedillo (1995 - 2000) 5th revision of LFT, 1992
<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To consolidate the existing tourism destinations</li> <li>2. To encourage domestic and international tourism</li> <li>3. To strengthen the functions of coordination of the sector</li> <li>4. To rationalize and improve efficiency in the tourism services</li> </ol> <p><b>General Strategies</b></p> <ol style="list-style-type: none"> <li>1. To maximize usage of the capability of tourism facilities</li> <li>2. To maintain the international competitiveness of the tourism products</li> <li>3. To optimize allocation of financial resources</li> <li>4. To promote target markets</li> <li>5. To maintain and improve tourism facilities</li> <li>6. To utilize scattered resources</li> <li>7. To coordinate with other sectors</li> <li>8. To utilize idle capacity</li> <li>9. To improve the quality of services</li> </ol> <p><b>Strategic Fields and New Program</b></p> <p>Development of the tourism products</p> <ul style="list-style-type: none"> <li>- Development of the tourism products by tourist services</li> </ul> <p>Promotion of target markets</p> <ul style="list-style-type: none"> <li>- Promotion and advertisement to markets and to the investments</li> </ul> <p>Coordination of the sector</p> <ul style="list-style-type: none"> <li>- Coordination of the tourism policy</li> <li>- Coordination of the sector to the state tourism</li> <li>- Planning of the visitor's activities</li> <li>- Regulation of the visitor services</li> </ul> <p>Rationality and organization of the visitor services</p> <ul style="list-style-type: none"> <li>- Services of support to the user</li> <li>- Operation of visitor services</li> <li>- Multi-sectoral IADE</li> <li>- Tourism education</li> </ul>	<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To support the growth of domestic tourism</li> <li>2. To achieve the balanced tourism development in regions</li> <li>3. To strengthen the national identity</li> <li>4. To promote the image of Mexico in the world</li> <li>5. To strengthen the mechanisms of coordination, inducement and cooperation</li> </ol> <p><b>General Policies</b></p> <ol style="list-style-type: none"> <li>1. Regional development</li> <li>2. Infrastructure and public services</li> <li>3. To conserve and develop tourism objectives</li> <li>4. Human resource development</li> <li>5. Efficiency and competitiveness of the tourism business</li> <li>6. Normative framework of the tourism</li> </ol> <p><b>Strategies: Modernization</b></p> <ol style="list-style-type: none"> <li>1. Increase of the productivity, quality and technology of tourism</li> <li>2. Differentiation of the tourism products</li> <li>3. Strengthening of the domestic market</li> <li>4. Internationalization of the Mexican tourism</li> <li>5. Deregulation</li> </ol> <p><b>Guidelines of the Strategies</b></p> <ol style="list-style-type: none"> <li>1. Reallocation and reinforcement of the tourism products</li> <li>2. Endowment of physical infrastructure and urban facilities</li> <li>3. Promotion of the investment and financing</li> <li>4. Development of the transportation</li> <li>5. Reorientation and strengthening of demand and international and national promotion</li> <li>6. Human resources development</li> <li>7. Assistance, aid and visitor safety</li> <li>8. Deregulation of the tourism activities</li> <li>9. Development of the mechanisms of coordination, cooperation and inducement</li> </ol>	<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To maintain, improve and extend jobs in the tourism sector</li> <li>2. To increase foreign exchange earnings</li> <li>3. To promote regional development</li> <li>4. To increase the competitiveness of the tourism sector</li> <li>5. To promote sustainable tourism development</li> </ol> <p><b>Strategies</b></p> <ol style="list-style-type: none"> <li>1. To consolidate tourism supply and demand with the following aspects of tourism products:             <ul style="list-style-type: none"> <li>- added value</li> <li>- variety</li> <li>- new products</li> <li>- higher quality</li> </ul> </li> <li>2. To diversify tourism supply and demand with:             <ul style="list-style-type: none"> <li>- linking tourism centers, corridors and regions</li> </ul> </li> <li>3. To promote international tourism with:             <ul style="list-style-type: none"> <li>- complete, modern and high technical efforts for: Promoting tourist inflow to Mexico, prolonging their stay and increasing revenue being linked with efforts to improve country image of Mexico</li> </ul> </li> </ol> <p><b>Policies</b></p> <p>General criteria for prioritization</p> <ul style="list-style-type: none"> <li>- Complying with the objectives of the Sector Development Program; creation of job opportunities, increasing foreign exchange earnings and contribution for the regional development.</li> <li>- Priority centers, corridors and regions</li> <li>- Quality, competitiveness and profitability</li> <li>- Cooperation and coordination among the sectors and fields</li> </ul> <p><b>Instruments</b></p> <ol style="list-style-type: none"> <li>1. Promotion             <ul style="list-style-type: none"> <li>- Mexican council for tourism promotion</li> </ul> </li> <li>2. Decentralization             <ul style="list-style-type: none"> <li>- State tourism consulting councils</li> <li>- Cooperation of states and municipalities</li> </ul> </li> <li>3. Financing             <ul style="list-style-type: none"> <li>- FONATUR</li> </ul> </li> <li>4. Coordination and facilitation             <ul style="list-style-type: none"> <li>- Tourism cabinet</li> <li>- Executive commission of tourism</li> </ul> </li> </ol>

Source: SECTUR

Figure 2.2 Development structure of tourism programs



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#### **2.1.4. Appraisal of market opportunities**

##### **(1) Prospects for tourism market in the future**

This section discusses on the future prospect for the tourism market as a basis to assess market opportunities for Mexican tourism. Though some of market trends may seem to contradict each other, this would be interpreted as diversification of consumer needs which matured tourism market would bring .

##### **a. Improvement of travel conditions**

Increase of disposable income, reduction of travel cost with the introduction of fuel efficient aircraft and inexpensive charter flights, development of highway network, lowering of ground cost due to fierce competition among destinations, and improvement of tourism reception services, all these factors would make tourism more affordable for consumers.

Mexico's highways network has improved significantly over the past decade, which could change its tourism structure drastically. It shortens travel time thus promotes formulation of new tourism circuits and inclusion of off-the-beaten-track destinations into existing tourism circuits. Transportation cost of buses is far cheaper than that of air crafts. Hence, development of highway network often substitutes air traffic for buses, and facilitate a wider range of people to enjoy travel. In the Mexican context, development of highway network would promote domestic beach resort tourism from inland cities.

##### **b. Diversification of origin markets**

Economies in Asia and Latin America will be growing at higher rates than those of developed countries. The growing economies would stimulate the growth of their tourism markets. In the Mexican context, the shares of Asian market, Latin American market as well as the domestic market may grow at higher rates than Mexico's conventional market of North America.

Relative decrease of air fare would reduce the importance of the distance factor for the competition among tourism destinations. It implies that a tourism destination become more competitive over the long-haul market while its competitiveness weakens over the short-haul market. This would also help origin markets to diversify.

##### **c. Increase of experienced travelers**

Improvement of conditions would generate a greater number of experienced travelers. As consumers become experienced in tourism, they become smart shoppers that demand high-quality services with an affordable price. On the other hand, a common-to all tourism product can hardly satisfy their diversified needs, and they tend to polarize between two categories; those who seek more specialized knowledge over their interested fields, and those who have no interest in the outside their hotel and seek for ultimate comfort and relaxation. An example of the former is the popularity of special interest tours (SIT) such as "study tours", ecotourism, and soft adventures. The latter is represented by the popularity of all-inclusive resort where guests do not have to go out for their needs.

As consumers come to travel more frequently and to be knowledgeable about tourism destinations, their touring area tends to become smaller. In this context, multi-country itineraries as often found in Japanese package tours at present might be less popular in the future. Independent travel would become easier and more popular. It is because consumers would improve their skill to travel by themselves, and the destination side would improve reception services due to the tough market competition and a wider recognition of tourism as a measure for economic development.

**d. Aging population in major tourism markets**

Population in major source markets is aging. The change in population profile would imply that tourism types which aged people are interested in would increase importance in the future. In this context, cultural tourism and city breaks would be more important since aged people generally show more propensity for culture than young people.

This would also lessen seasonal fluctuation and increase the length of stay, due to larger percentage of retirees in the market.

**e. Nature orientation**

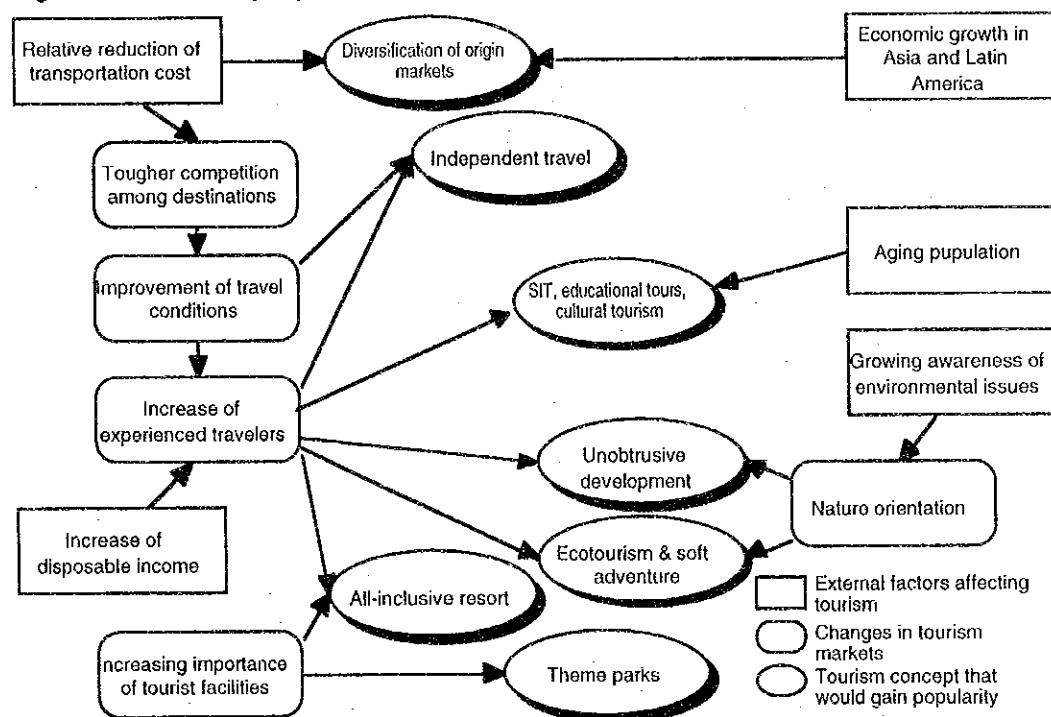
Fueled by the increasing awareness of global environmental issues, consumers would be more nature-oriented in the future tourism market. Thus, ecotourism and soft adventure would be one of the fastest growing segments. The trend would also reflect in consumer's preference for resort designs, and being physically unobtrusive would be increasingly important for resorts. Huge resort development with high rise hotels might go against the taste of consumers in the future, or at least, they would be more people who don't like that type of development.

**f. Increasing importance of tourism facilities**

Though it may seem contradictory to the nature-orientation of the market, tourism facility is supposed to increase its importance in tourism. Popularity of theme parks is an examples of this trend. "Theme hotels" which are an integration of theme park and resort hotel are gaining popularity in the USA. Since know-how and technology to realize this type of tourism facilities are expected to sophisticate in the future, they would gain further competitiveness in the market.

Following figure summarizes the relationship of outer factors, tourism market trends, and tourism concepts as has been discussed here.

**Figure 2.3 Future prospect of tourism market**

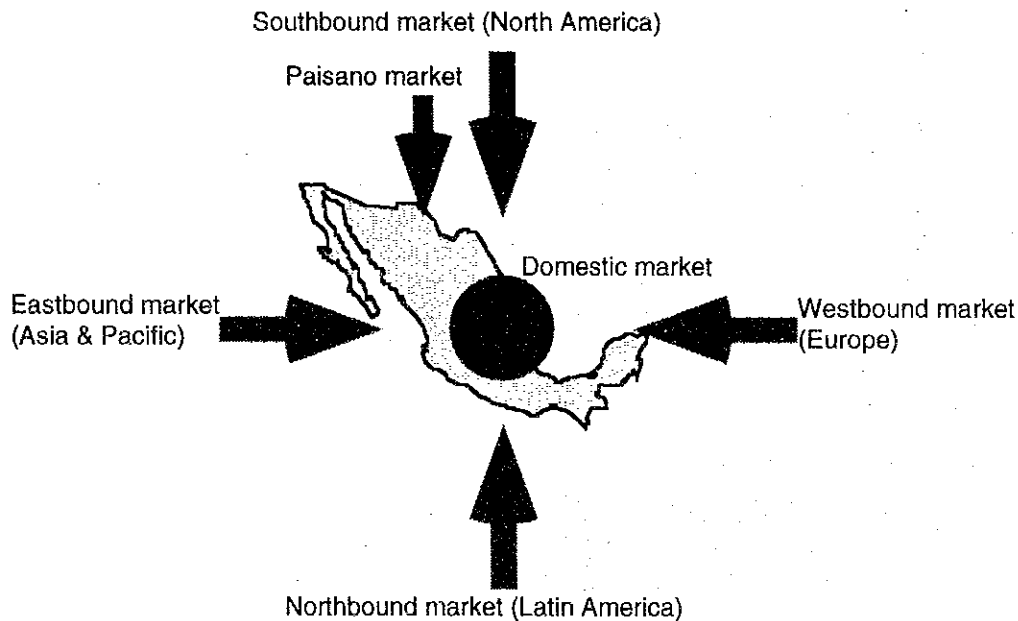


Source: JICA study team

## (2) Appraisal of regional market segments

The study team identified six regional market segments for the Mexican tourism sector, namely, the domestic market, Paisano - Mexican nationals living outside of Mexico, the southbound - USA and Canada, the northbound - Latin America, the westbound - Europe, and the eastbound - Asia. Their characteristics and prospects are summarized as follows.

Figure 2.4 Regional market segments



Source: JICA Study Team

### a. Domestic market

This is the largest regional market segment that generated 35 million hotel guest-nights for star hotels in 1995 according to the hotel statistics. Annualized growth rate over the past decade was 0.6%, which is the lowest of all the market segments. Average length of stay per trip was 6.9 nights according to a SECTUR survey, which was the shortest. Hoteliers in beach destinations report that domestic visitors stay 3 to 5 nights at a beach destination.

SECTUR estimates the domestic market volume to be 136 million travels/person, and the gap between the estimate and hotel statistics indicates a low utilization ratio of hotel accommodation in this market segment.

It has been the principal clientele for inland historical cities probably due to the best awareness of the Mexican culture and history. Hotel statistics, however, show increasing popularity of beach trips.

Although the past growth rate has been low, there are a few reasons that suggest its potential for growth as follows.

- The domestic market volume is smaller than those of countries whose GDP per capita were similar to that of Mexico,
- Past examples show that tourism market growth accelerate when a country is entering into the developed country status. Mexico is considered to have reached the stage,
- Low ratio of hotel usage implies potential for further growth taking into account the predictable increase of disposable income.

- 
- Undergoing highways constructions will drastically lower transportation cost, which may open up the possibility of travel for a wider range of people who otherwise could not afford.

Considering the increasing popularity of beach trips as observed in the statistics, beach destinations will experience higher growth of domestic visitor arrivals than the inland cities. In spite of the potential, it is not guaranteed for the Mexican tourism sector whether Mexican tourists visit Mexican destinations or competitors in its neighborhood like the USA and the Caribbean countries.

#### **b. Paisano market**

The number of Mexican nationals living outside of Mexico is estimated to be from 4 to 5 million according to various sources. Statistics shows that 98% of the Paisano visitors comes from the USA. Growth rate is the highest of all market segments though it is not certain how sustainable the growth rate will be.

For the tourism sector, this market segment has less significance than the actual number of arrivals as hotel statistics show that the market segment generated 3.0 million guest-nights in 1995. The airport survey conducted by the JICA study team shows that only 20% of them used hotel accommodation. This is primarily due to a high percentage of VFR visits which stood at 59% according to the same survey. For those came back to Mexico for holiday, entertainment and shopping are relatively important rather than touring of destinations.

Future prospects for the market segment largely depends on the economic condition of Mexico, and if the economic condition on the Mexican side improves, the market segment stagnates in response to the decrease of emigrants.

#### **c. Southbound market: USA and Canada**

This is the second largest market segment only next to the domestic market. It generated 19.8 million hotel guest-nights in 1994. Annualized growth rate over the decade was 3.5% which was higher than that of the domestic market but the lowest of all the international market segments.

The most notable characteristics of the market is the orientation for beaches as the airport survey shows that 65% of visitors from the market come to Mexico for beaches. Travel itineraries are generally short, and fly-in fly-out type itinerary to a beach destination is popular. Length of travel differs by geographic area but it is not as long as those from Europe. General tendency is that the longer distance they travel, the longer period they stay in Mexico. Visitors from the border states in USA tend to make long-weekend beach trips and shows less seasonality than other states, while those from the northern part of USA and Canada come in winter and stay a longer period. It is not rare for Canadians to stay in Mexico for two weeks.

According to a few tour operators, they come to Mexico for beaches but it is not because they are indifferent to history and culture but because they regard Mexico as a beach destination. The same market segment is well known in Europe and Asia for their orientation for culture and history.

It will continue to be the most important international market segment although the study team supposes the market segment is reaching, or will be the first to reach, the maturity stage of the growth curve.

Future growth would be achieved by developing non-beach market segments such as cultural tourism, ecotourism, soft adventure, and archaeological tourism as well as by consolidating the existing beach tourism market. Since the market is the largest international market segment with a good number of highly educated consumers, tourism that specializes in niche market segments should be the most viable in this regional market. To develop these smaller market segments, existing image of Mexico as the beach destination should be modified so as to appeal the combination of beaches and nature and cultural attractions.

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**d. Northbound market: Latin America**

The market segment generated 2.5 million guest-nights in 1994 with an annualized growth rate of 4.4% over the past decade. The growth has accelerated in the 1990s and annualized growth rate over the past five years was as high as 12%. It probably reflects the economic recovery of major countries in the region such as Argentine, Chile and Brazil. Growth of the Brazilian market is especially noticeable, and it contributed greatly to sustain the Cancun's growth in the 1990s.

The airport survey shows that beach is the most important purpose of the market segment but the percentage of 41% is lower than the southbound market. The percentage of "colonial cities" is 17%, which is the highest of all the market segment. It may be because Spanish speaking countries such as Argentine and Chile have relatively good awareness of Mexican history and culture through historical ties and the influence of Spanish-speaking media. They have provided clientele for the inland historical cities in Mexico as well as traditional beach centers like Acapulco that could be combined easily with the cities.

In contrast to the above, Mexico seems to be advertised as very American place in the Brazilian market, and their principal interest is in the beaches and nightlife in Cancun.

Economies in Latin America have very fluctuated over the several decades. Though the market segment seems very promising if judged from the recent visitor statistics, there is no guarantee if it will continue to grow at the same pace as at present. In spite of the risky aspect, growth rates of the economies and tourism markets that reflect the economies in the region would be higher in average than those of developed countries.

Relatively good awareness of Mexican history and culture would be utilized to attract visitors from Spanish-speaking countries to inland historical cities. The visit could be combined with beach destinations such as Acapulco and Puerto Vallarta. The Brazilian market lacks in awareness of cultural, historical, and natural aspects of Mexico, which need improvement through public relations activities.

**e. Westbound market: Europe**

The market generated 3 million guest-nights with a high annualized growth rate of 12.4% over the past decade. The number of arrivals to Mexico, however, is not large enough if its huge potential market volume is considered.

The airport survey shows that 37% of the tourists from the region gave "archaeological sites" as their principal purpose of visit to Mexico, while only 24% gave "beaches." "Indigenous cultures" constituted 11%, and is also the highest of all market segments.

Generally speaking, beach holiday is the core tourism demand from the market, in particular, from the northern part of Europe such as UK, Germany and Scandinavian countries. Tour packages to Mexico, however, seem to focus on its cultural aspect rather than its beaches. The market segment tends to combine a touring itinerary with a stay at a beach resort.

Due to the long holiday entitlement, expensive living costs in their short-haul destinations, and increasing availability of inexpensive charter flights, long-haul package tours are increasingly competitive against the short-haul destinations from Europe.

Europe is the largest regional market in the world, which Mexico definitely has an immediate opportunity to develop. Since Mexico is a long-haul destination from the market, the combination of a beach and attractions that focus on the pre-Hispanic culture would sell to the market. It may be supplemented by ecotourism and historical cities.



The market prefer to low-rise or cottage style accommodation that would better harmonize with the surrounding nature than high-rise "American" hotels. It would be important to consider the market's taste for, and image of, the beach destinations. To diversify the development concept toward lower density and low-rise is vital to lure out the market segment.

**f. Eastbound market: Asia and Pacific**

The market generated 0.3 million hotel guest-nights in 1994 with annualized growth rate of 6.8% over the decade. Though the current market volume is the smallest, the market segment is growing rapidly as the westbound market. Japan is the principal country that currently generates a sizable number of visitors to Mexico.

The airport survey shows that "archaeological sites" is the most common purpose of visit to Mexico constituting 44% of the respondents. The same survey shows that around 50% of the visitors combine Mexico with USA.

Travel itinerary is longer than the southbound market but it is not as long as the westbound market. Popular length of tour itineraries is 6 to 8 nights at present but a few survey results indicate that length of travel itineraries is extending over the decade. Japanese package tour market is polarized between itinerant tours that visit archaeological and historical sites and ones that combine a visit to a US city and a stay at a Mexican resort. Beach resort is only preferred by young people at present.

The region is noted for its explosive growth of tourism market as shown in Table 2. 6. It is noted that numbers of outbound travelers per population are still small in number, which indicates potential for further growth.

**Table 2. 6 Number of out-going travelers, growth rates, and number of trips per population**

	No. of outbound travelers 1994	Annualized growth over the past decade	Number of outbound trips per population
Japan	13,579	11.3%	9.5%
Korea	3,154	20.4%	5.5%
Taiwan	4,644	20.0%	22.2%
China	3,740 *	N/A	0.4%
Hongkong	2,798	9.4%	41.9%
Singapore	2,447	17.6%	75.1%
Thailand	1,681	11.2%	2.6%
UK	36,400 *	5.7%	62.8%
France	10,700 **	2.4%	18.6%
Germany	31,800 **	5.0%	39.2%
USA	45,490 *	6.2%	17.7%
Canada	20,561 *	4.2%	71.0%
Australia	2,354	6.1%	12.8%
Brazil	2,348	N/A	1.4%
World total	528,400	5.1%	N/A

Note: \* figure in 1993, \*\* figure in 1992

Source: Various sources

The countries that generates sizable volumes of tourists from the region are Japan, Korea, Taiwan, HongKong, Singapore, Australia and New Zealand. In the long-term perspective, China, Thailand and Malaysia would become sizable markets as well.

East Asia abound in good beaches and it is a long-haul market from Mexico. Therefore general direction to develop the market will be to appeal the cultural aspect of Mexico such as archaeological sites and inland historical cities. USA has a strong cultural appeal to the market therefore the market may prefer to combine

Mexico with USA, in particular, at the initial stage. However, efforts should be made to promote them to spend the whole itinerary within Mexico. Orientation for beaches is not as conspicuous as other market segments but its popularity is growing among the young generation.

The market has little awareness of Mexico as a tourism destination. Therefore creating the awareness will have the first priority to develop the market.

### (3) Appraisal of tourism product segments

This section discusses the prospects by tourism product segment. Following table shows the principal purpose of visit to Mexico by regional market segment obtained from the airport survey conducted by the JICA study team.

**Table 2.7 Principal purpose of visit to Mexico**

	Southbound	Northbound	Westbound	Eastbound	Paisano
Beach	65%	41%	23%	33%	29%
Nature/wildlife	4%	4%	10%	2%	7%
Archaeological sites	7%	20%	37%	44%	21%
Colonial cities	7%	17%	13%	4%	4%
Indigenous culture/people	4%	5%	11%	4%	0%
Sports activities	5%	1%	1%	2%	4%
Entertainments	2%	2%	1%	0%	18%
Gourmet	1%	1%	0%	4%	0%
Shopping	1%	7%	1%	0%	11%
Others	3%	1%	4%	4%	7%

Source: Airport Survey by JICA Study Team, December 1995

#### a. Beach resort tourism

Many beaches occur in Mexico, and they have been recognized as the anchor tourism attraction of the country. Table 2.7 shows that beach has stunning importance in the southbound market but less important in the long-haul markets such as the westbound and eastbound markets.

Beach resort tourism is highly price-elastic therefore competition among destinations is tough. The same airport surveys show that Caribbean destinations are the most formidable rivals of Mexico in this market segment. Other competitors include Hawaii for the southbound (North America) and eastbound (Asia) markets, Florida for the southbound, the westbound (Europe), and the northbound (Latin America), and Asian countries for the westbound and the eastbound markets.

The travel trade in the US often refers to Mexico's price competitiveness deriving from the proximity to the USA as the principal strengths of Mexican tourism. Mexico is regarded in the market as a "value" beach destination with agreeable infrastructure and services.

This is the market segment that the Mexican tourism sector should consolidate. Mexican tourism is heavily dependent on this type of tourism, and will continue to be so in the future. The study team, however, estimates that the share will shrink due to the diversification of tourism products as proposed in this report. Diversification of origin markets that is also proposed in this report, would affect the importance of beach resort tourism, as the long-haul market put more importance on cultural and natural aspects of Mexico.

Beach destinations that are successful in the long-haul market generally have tourism attractions or "value added" other than beaches. Typical examples are Bali in Indonesia with a high image as an exotic cultural destination, and Kenya with the image of wildlife safari. Mexico has a good number of tourism resources both for culture and nature tourism. They will provide Mexico with good opportunities to develop the long-haul beach resort tourism.

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The long-haul beach resort tourism requires an exotic destination image rather than that of home-away-from-home. There is, however, a considerable tourism demand from neighboring US states for high-spending short-period beach trips to Mexico. Mexico's adaptation to the market often contradicts the needs from the long-haul beach resort tourism that requires a less urbanized resort area located in an exotic milieu with low-rise accommodations. Mexican beach destinations should recognize the potential and importance of the market segment to reduce the business risk, and to enlarge market opportunities. This would be achieved by developing new beach centers with concepts differentiated from the existing ones.

**b. Nature and wildlife tourism**

Ecotourism, when defined by environmentalists and park administrators, emphasizes the role of tourism as a measure for the conservation of the nature and indigenous cultures, and the initiative of local people in managing tourism products. Nature and wildlife tourism, however, is often marketed as ecotourism regardless of whether it is managed according to the above policy. Hence, it would be appropriate to use the word ecotourism to imply the way how tourism is managed rather than a market segment. Furthermore, ecotourism includes the ethnic tourism that should be classified as cultural tourism. Therefore this section discusses the marketing prospect for the nature and wildlife tourism including the nature and wildlife type of ecotourism.

The westbound or European market is the most interested in this tourism product. 10% of the visitors from the market gave "nature and wildlife" as their principal purpose of visit to Mexico in the airport survey.

Mexico has national parks, biosphere reserves, and other conservation areas, many of which have tourism potential. Most of all, Copper Canyon in Chihuahua and whales' breeding sites in Baja California Sur are notable tourism resources. Mexico has biosphere reserves that includes archaeological sites, which could provide tourists with a fascinating combination of nature and archaeological tourism.

Environmental issues have become the global concern, and this is fueling the growth of nature and wildlife tourism. Besides, it is considered by the travel trade to be one of the up-market tourism opportunity contrasted with the beach resort tourism that is prone to down market. This type of tourism would contribute to diversify tourism market as it generally attract visitors from more long-haul areas. These would rationalize Mexico's efforts to tackle the new opportunity.

Costa Rica is a well-known ecotourism destination. Her attractions include tropical rain forest, wildlife and bird watching, hacienda, river/lagoon cruises as well as coral reefs, all of which also exist in Mexico. Other competitors reported by the travel trade are Galapagos, Panama, Australia and some countries in Africa. USA is the pioneers in whale watching though there is no breeding site of whales in the country. Many of the nature and wildlife destinations are located in the developing world with insufficient tourism infrastructure. Thus, Mexico's developed infrastructure could be a strength over the competitors.

Markets' awareness of Mexico as a nature tourism destination is very limited, and creation of the image would be important to develop the market. Market volume of pure nature and wildlife tourism is not very large as in the case of beach resort tourism. Therefore the combination of nature and wildlife tourism with a stay at a beach resort would appeal to a wider range of people. It is also important to adopt ecotourism know-how when developing nature areas. It is needed not only from the view point of the natural and social environment but also from the marketing view point as consumers are increasing interested in closer contacts with the nature.

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### c. Cultural tourism

The airport survey shows that cultural tourism products are relatively important in the long-haul market. This shows cultural tourism would play an important role to promote the diversification of origin markets.

#### Archaeological tourism

The airport survey shows that 44% of the visitors from the eastbound market and 37% of the westbound market gave "archaeological sites" as their principal purpose of the visit. For the markets, archaeological sites are more important than beaches.

There is a significant tourism potential in the Mexico's pre-Hispanic cultural heritage as it is one of the most important tourism objectives in the world. These archaeological sites are regarded by Mexicans to be a representation of the national identity. This probably relates to the insufficient signs and interpretation boards in foreign languages at the sites and museums as they are developed for domestic visitors rather than international tourists.

As a general rule, market for cultural tourism is more long-haul than beach resort tourism as there are less alternative destinations. Guatemala that abound in Mayan ruins is regarded by the travel trade as the primary competitor of Mexico. Some tour wholesalers regard Peru and Bolivia also as competitors.

The travel trade agrees that Mexico's strengths over the competitors are good accessibility to archaeological sites, and availability of good hotels and infrastructure. However, there are some criticism referring to Mexican archaeological sites as too touristic in spite of the fact that there are so many ruins that remain almost untouched.

It is noted that the market volume of pure cultural tourism is not very large. Hence, like the cases of Mexican cities and nature and wildlife tourism, integration of archaeological tourism and beach resort tourism would attract far larger volume of visitors to Mexico. Similarly, archaeological tourism could be combined with ecotourism like nature trekking visiting less known archaeological sites in the jungle.

#### Mexican cities

The airport survey and interviews with the travel trade show that "colonial cities" are relatively important for the northbound market and the domestic market probably due to the cultural and emotional ties with the tourism product.

Although nobody denies the charm of Mexican colonial cities, its market competitiveness is somewhat controversial compared with archaeological sites as so many cities under Spanish influence spread all over the former Spanish Empire. Admitting that Mexican colonial cities have long established an identity of their own, marketing them as a tourism product is not as easy as selling the archaeological sites. For the westbound market, historical cities in Spain have the price competitiveness over the Mexican counterparts. Similarly, the distance from Mexico to the eastbound market is roughly the same as that from Spain, which means Mexico's unfavorable competition against Spain.

Several hoteliers and tour operators reported that the North American market has a strong orientation for culture, but the culture for the market means Europe at present. A few of them also reported that it may be due to the existing tourism image of Mexico as a beach destination. This situation might be improved by consistent sales promotion activities targeted at appropriate market segments in the largest international market for Mexico.

Giving a sense of "authenticity" to the visitors is vital to market Mexican cities. It is achieved by publicizing how the cities differ from the counterparts in Spain and Latin America. In this sense, "Mexican" would be more preferable term to refer to the tourism resource rather than "colonial." Marketing of the cities would better be

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conducted by combining other Mexican cultural elements such as handicraft, music, dance, and food.

As discussed previously, “value-added” is important to enhance the competitiveness of beach destinations. Among the six principal beach destinations, Cancun, Acapulco and Huatulco could be combined with archaeological sites such as Chichen Itza, Teotihuacan, and Monte Alban. Los Cabos and Mazatlan has a good potential as bases for ecotourism excursions centered on marine animals and desert. Puerto Vallarta, however, has no other value-added than the circuit of inland historical cities.

The JICA study team has an impression that main stream Mestizo-Mexican culture like Mariach and Mexican dances is somewhat marginalized in tourism, as most of international visitors are more interested in pre-Hispanic ruins and living indigenous cultures. As already discussed, marketing Mexican cities in the international market would not be very easy but it is also worth efforts as it contributes to publicize the right image of Mexico, which has been often distorted by American movies.

#### Indigenous people and cultures

Although some measures for social consideration have to be taken, indigenous people and cultures would provide a unique travel experiences for visitors. This could be combined with nature tourism like jungle trekking. Ecotourism is the most appropriate form of utilization of this tourism resource by adopting selective marketing methods.

#### Others

Other than the above, there is a variety of potential resources. The important consideration to seek the resources is how they represent the Mexicanhood. They could be agriculture, fishery, local handicraft, and anything that are Mexican. They are not only important to provide visitors with authentic Mexican experiences, but also to enforce linkage with tourism and other industrial sectors, to increase visitor expenditure, and to distribute tourism benefit to a wider range of people.

#### **d. Incentive and convention**

Cancun and Acapulco have seen some success in this market segment for both domestic and international markets although their full potential is still not reached. Both destinations are successful in the sub-category of “resort convention”, which is rather a form of incentive travel than the authentic conventions hosted by international organizations and academic circles. “Convention” in resort convention programs tend to be a ceremony to honor staffs that showed good results rather than the occasion for serious discussion.

This is a high-spending market therefore worth efforts to develop. There are beach destinations where the lack of convention facility constrains the market to develop. Origin market is currently limited to domestic market and North America but a tour operator suggested that Mexico has less incentive value for the US market as Mexico is too familiar to the market. Opportunities would exist in more long-haul markets where Mexico has more incentive value.

As anchor cities in Latin America, Mexico City, Guadalajara and Monterrey have potential to develop authentic convention market in the long-term perspective. Promotion activities to improve the image of the cities as well as enhancement of organizations that conduct the promotion activities would be vital to develop the market.

#### **e. Theme park**

Since the number of theme parks is limited in Mexico, there would be good market opportunities. The only notable example of Mexican theme park is Xcaret located near Cancun, which is successful both in the domestic and international markets.

Lack of attractions in tourism destinations are often pointed out by the travel trade, and this will rationalize to develop theme parks in Mexico.

The domestic market, in particular, local family market is the priority market segment for theme parks. Although there are examples of theme parks in USA which attract visitors from distant areas, it is safer for theme parks in Mexico to expect the greater part of visitors from nearby large cities in Mexico being supplemented by international visitors in beach destinations. Since the USA abounds in sophisticated theme parks, themes specific to Mexico would be preferable to avoid competition.

#### f. Cruise ship tourism

It is needless to say that cruise ship tourism is one of the promising segments in the world tourism market. The most popular cruise ship destination is definitely the Caribbean, and Cozumel Island and Playa del Carmen near Cancun have enjoyed the fruits of cruise ship tourism over the decades. The Pacific coast, or Mexican Riviera as it called by cruise companies, is less popular but still one of the important cruise destinations.

New cruise routes are always sought as passengers rarely repeat the same cruise package. Each cruise companies tries to create their own brand image for better appeal to the market. North American market has the most significance in the market. It is followed by the European market.

**Table 2. 8 US cruise passenger growth, 1989-94**

	1989	1990	1991	1992	1993	1994
No. of passengers (million)	3.3	3.6	4.0	4.1	4.5	4.6
Annualized growth rates	1989-94: 9.2%		1989-94: 7.0%			

Source: Cruise Lines International Association, Economist Intelligent Unit

The most notable feature of this market segment is that cruise ships that call on Mexican ports are owned by cruise companies in the USA, and two important home ports for the cruise ships are Miami and Los Angeles. This implies that local tourism income from cruise ships is not very large.

Participation by Mexican enterprises into one of the fastest growing market segment seems like a good idea to prevent the outflow of tourism benefit from Mexico, but tough market competition would make it difficult to participate in the authentic cruise market. The most possible direction would be to specialize in a niche market segment that has not been fully exploited by existing cruise companies. Mar de Cortes is "off-the-beaten track" for cruise ships, and cruise ship that focus on the nature and wildlife in the area might be a possibility. Promoting the combination of cruise package with a stay in a Mexican beach resort would be another idea to increase income from the cruise ship market.

#### g. Sports activities

This is a market segment closely combined with beach resort tourism. The airport survey shows that 5% of visitors from the southbound market (North America) come to Mexico for sports activities while the percentage is around 1% for other regional markets. This means that the market segment is generally for the short-haul market.

Following table summarizes the market prospects by regional market segment and product segment

**Table 2.9 Prospect by market segment**

	Domestic	Paisano	Southbound	Northbound	Wesbound	Eastbound
Beach resort	XXX	XX	XXX	XX	XX	XX
Nature & wildlife	XX	X	XX	X	XXX	XX
Archaeology	XX	XX	XX	XX	XXX	XXX
Mexican cities	XXX	XXX	XX	XXX	XX	XX
Other cultural tourism	X	X	XX	XX	XX	XX
Incentive & convention	XXX	XX	XXX	XX	X	X
Theme parks	XXX	XX	XX	XX	X	X
Cruise	XX	XX	XXX	XX	XX	X
Activities	XXX	XXX	XXX	X	X	X

Source: JICA study team

### 2.1.5. Issues for Mexican tourism

The JICA study team has identified eight issues for the Mexican tourism sector based on the analysis of existing conditions. They are summarized as follows:

- Over-dependence on a single market segment,
- Poor adaptation to diversified consumer needs,
- Revealing of limitation in the integrated development system,
- Inadequate collaboration among tourism destinations,
- Marginalization of local people from tourism development,
- Insufficient sustainability in tourism development,
- Poor competitiveness of tourism services, and
- Necessity for decentralization of tourism administration.

The following section discusses on more details of the issues.

#### (1) Over-dependence on a single market segment

Mexican tourism has concentrated its efforts in developing beach centers targeting primarily at the North American market. The efforts saw a good success, and the short-haul beach resort tourism become the anchor market segment. The growth rate of the segment, however, slowed down in 1990s, which would be interpreted as a sign the market is reaching a maturity stage of growth. This implies a necessity for Mexico to develop new market segments that would guide Mexican tourism for further growth.

Distribution of business risks would be another rationale for developing new market segments as tourism is vulnerable to uncontrollable external factors like economic recession, negative press, war, and various unavoidable incidents.

#### (2) Poor adaptation to diversified consumer needs

As consumers become experienced in tourism, they come to seek for more unique and sophisticated travel experiences than their previous ones. As a consequence, common-to-all tourism products will come to hardly satisfy these experienced visitors. With the increase of experienced visitors together with fierce market competition, it would become necessary for the travel trade to provide consumers with diversified tourism products.

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**(3) Limitation of the integrated development system**

Though the integrated tourism development system has driven the growth of Mexican tourism over the past decades, its drawbacks have been made visible in recent years. Though it has effectively created beach centers that successfully cater for an international market, its emphasis on mass tourism is conducive to beach centers with a cosmopolitan appearance, which implies negligence of local characteristics. Similar appearance of beach destinations make differentiation from competitors difficult. Therefore it is prone to price-war among beach destinations.

Increase of experienced travelers as already discussed is another factor that would challenge the integrated development system. Urban and environmental problems, leakage of economic benefits to the outside, and marginalization of local people are also the challenges to the integrated development system.

In spite of these, it would not be realistic to abandon the development methods considering its capability to provide high-quality facilities and to attract international visitors. What are needed would be to introduce new development concepts to supplement existing tourism centers for better satisfaction of consumer needs, and to elaborate the integrated development system.

**(4) Inadequate collaboration among tourism destinations**

Though Mexican tourism destinations have been marketed independently due to a lack of infrastructure and overwhelming importance of the short-haul beach resort tourism that is less interested in touring than other market segments, tourism structure of Mexico would change drastically with the development of highway network. The change in travel conditions together with the necessity of market diversification would rationalize to promote formulation of tourism network which would enhance the competitiveness of Mexican tourism in the international market.

Existing tourism administration system does not suffice the shift to the network formulation therefore needs to be modified so that it would cover wider area and facilitate collaboration among destinations.

**(5) Marginalization of local people from tourism**

Tourism development lead by Federal Government were dependent largely on foreign investment. As a consequence, tourism businesses tend to be controlled by investors from the outside, which could result in a large amount of economic leakage if integration of tourism and local economy is insufficient. There is a criticism that past tourism development has regarded local people only as a source labor force rather than participants in tourism development.

JICA study team observed in many tourism destinations that unique local industries that have good tourism potential remain unexploited by tourism. They could serve greatly to the integration of tourism and local economy and for tourism diversification.

**(6) Throwaway culture in tourism and threats from tourism to nature areas**

Being new and modern is often overrated by the tourism businesses in Mexico despite the fact that ecotourism and "rusticity" are tourism concepts that draw attention of the travel trade in the world. It looks as if tourism centers were thrown away after a use for a short period. This tendency may provide a background to poor efforts to maintain and revitalize existing tourism centers, insufficient tourism use of Mexican and indigenous cultures, and threats to nature areas in Mexico.

Integrated tourism development often triggers rapid urbanization, which would lead to urban and environmental problems. It provokes new developments in new destinations or on the outskirts of aging tourism centers. There are already a few old tourism destinations like Acapulco that need measures for revitalization. There will be more destinations in need of the measures in the near future.



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On the other hand, there would be many opportunities to utilize traditional Mexican towns, villages, and local traditions for tourism if proper measures are taken to promote renovation and tourism use of these resources.

Though the nature is the life-support pillars of tourism, tourism development is a threat to many of nature areas in Mexico. Potential for nature tourism in mangrove areas and lagoons is often overlooked in the face of beach resort development.

**(7) Insufficient competitiveness of tourism services**

Tourism service in Mexico is hardly a competitive aspect of Mexican tourism. Interviews with the US travel trade revealed that Mexico was regarded as a value destination with good tourism facilities and services but that the fact is that the services are recognized as tolerable when considering the entire cost of trips to Mexico.

In spite of recent development of highway network, wayside facilities need improvement from the view point of tourism. The airport survey conducted by the JICA study team shows there is much room for improvement of services in the airport in Mexico City, in particular, regarding its function as a hub airport.

Further, tourism service provided in Mexico is optimized to cater for the North American clientele. Hence, it should be more flexible in the manners of treating visitors from different geographic areas otherwise it could hinder the diversification of tourism markets.

**(8) Necessity for decentralization of tourism administration**

Since Mexico is under a process of decentralization together with privatization of its tourism administration, so should be the tourism administration scheme. New demarcation between the roles of the central government, local governments, and the private sector should be drawn to maximize the efficiency.

There are examples of local governments that simply copy the past development scheme of the central government in a smaller scale. It is, however, envisaged that they should have their own development scheme that is optimized for their development scale and expected roles in the overall tourism administration.

## 2.2. Directions for tourism development and promotion

### 2.2.1. Goals for Mexican tourism

This JICA study should be consistent with the Tourism Sector Development Program 1995-2000. The program is to be succeeded to further presidential regimes up to the year 2010 that is the target year of this study. The followings are the goals of tourism in the context of national development as specified by the program.

- to generate employment opportunities,
- to increase foreign exchange earnings, and
- to encourage regional development.

### 2.2.2. Strategy for Mexican tourism

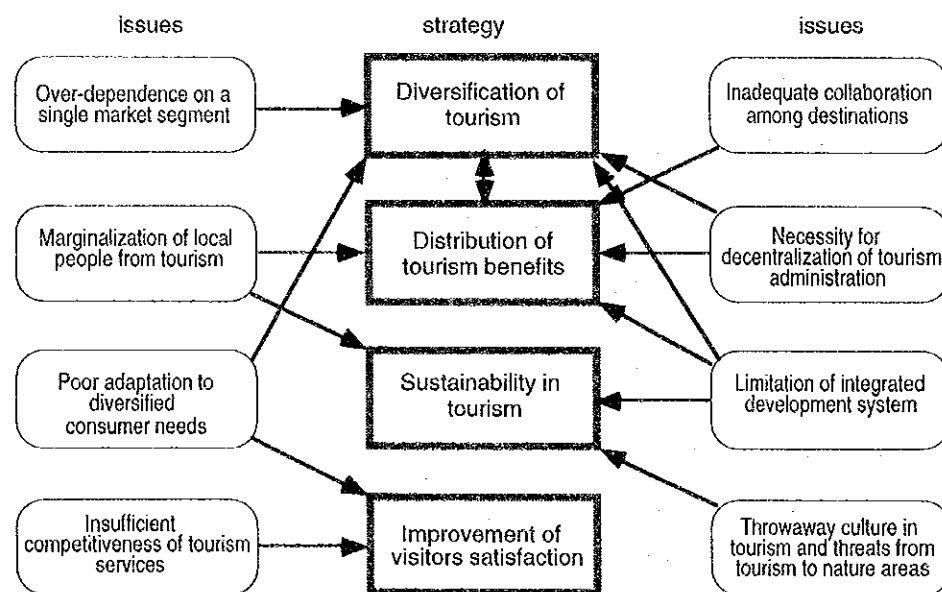
JICA study team's understanding of the current situation of Mexican tourism is that it has reached a turning point for a new stage of tourism development. More specifically, further growth would be achieved by adopting alternative tourism concepts and catering for new market needs.

The followings are the four directions for the future tourism strategy based on the assessment of market opportunities, analysis of existing conditions, and the goals set by the Tourism Sector Development Program. They are:

- distribution of tourism benefit,
- diversification of tourism,
- sustainability in tourism, and
- improvement of visitor satisfaction.

Figure 2. 5 shows the relationship between the issues as discussed previously and the four directions of the development strategy. The following sections discusses more details of respective directions.

Figure 2. 5 Relationship between issues and strategy



Source: JICA study team

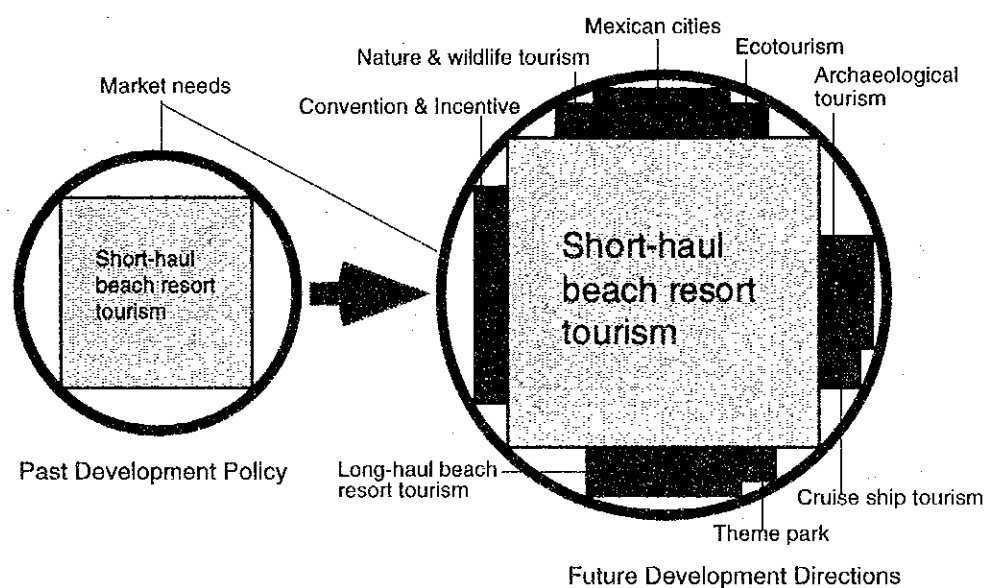
### (1) Diversification of tourism

Mexico should diversify its tourism markets as well as its tourism products to overcome the following issues as discussed in the previous section shown in Figure 2. 5:

- Over-dependence on a single market segment,
- Poor adaptation to diversified consumers needs,
- Revealing of limitation in the integrated development system, and
- Necessity for decentralization of tourism administration.

Figure 2. 6 illustrates the concept of tourism diversification in the Mexican context. It shows that the past development policy has concentrated development efforts to cover the largest market segment of short-haul beach resort tourism. Future directions, however, would be to cover many market segments for more effective exploitation of the market as well as for better satisfaction of consumers.

Figure 2. 6 Concept of diversification



Source: JICA Study Team

There are two directions of tourism diversification. One is toward the diversification of geographical tourism market. In the global tourism market, new regional markets like East Asia and Latin America are emerging, and are expected to grow at higher rates than the North American and European markets in the long-term. European market is not properly exploited at present by the Mexican tourism sector, if its huge market volume is considered. Mexico would have good potential for developing these new markets.

The other is toward the diversification of tourism products. Though Mexican tourism depend heavily on beach resort tourism, Mexico has an incredible variety of tourism resources like archaeological sites, historical cities, and nature areas that are competitive enough to attract the long-haul market. On the other hand, tourism facilities are in need of development since they are quite small in number and the travel trade points out that lack of entertainment in tourism destination is a weakness of Mexico.

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## **(2) Distribution of tourism benefits**

Tourism benefit needs more wider distribution to cope with the following issues as discussed in the previous section:

- Marginalization of local people from tourism,
- Inadequate collaboration among destinations,
- Necessity for decentralization of tourism administration, and
- Limitation of the integrated development system.

As the Tourism Sector Development Program specifies, tourism should establish closer linkage with local economies so as to contribute to regional development. Past concentration of development efforts on beach resort tourism often resulted in poor integration of tourism and local economies. This should be improved by introducing tourism products that are based on local industries and that are created through local participation.

Efforts to enhance the linkage would contribute to diversify tourism products as well. Distribution of tourism benefit and diversification of tourism have a relationship of reciprocity in that diversification of tourism would promote distribution of tourism benefit, and that distribution of benefit could result in diversification of tourism.

There are two aspects of the distribution of tourism benefits, namely, geographical distribution and social distribution. Firstly, more wider area of Mexico should enjoy the fruits of tourism. General direction would be toward better utilization of inland tourism resources by combining them with a beach center. This would be achieved by enhancing tourism network and promoting inter-state and inter-destination collaboration. Introduction of tourism circuits and better utilization of inland Mexican cities as will be discussed later would serve to promote geographical distribution of visitors.

Secondly, measures to facilitate local participation in tourism are needed to promote social distribution of tourism benefit. It also promote diversification of tourism products as well. It is important to offset negative aspects of integrated tourism development which tends to regard local people only as a labor force. Enhancement of tourism capacitation and supporting measures for tourism SMEs are vital to promote the social distribution.

## **(3) Sustainability in tourism**

Sustainability in tourism should be more stressed to cope with from the following issues:

- Marginalization of local people from tourism,
- Limitation in the integrated development system, and
- Throwaway culture in tourism and threats from tourism to nature areas.

Maintaining sustainability is needed not only from the view point of conserving natural and social environment but from that of maximizing return from the past investment, and to improve visitors' satisfaction.

There are three aspects to ensure sustainability in tourism. Firstly, legal control to prevent head-in-the-sand development should be enhanced. The integrated development system need revision and sophistication so that its negative impacts should be carefully removed through legal control.

Secondly, aging tourism centers need measures for revitalization. It is an important theme since tourism centers developed during the 1970s and the 1980s will reach the maturity stage of growth in the 21st century. On the other hand, historical cities in Mexico should be better utilized for tourism by improving amenity for visitors.

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Thirdly, measures should be introduced to promote local participation in tourism as well as to protect them from negative impacts of tourism. It is also important to increase the variety of tourism products which Mexico can offer for visitors.

**(4) Improvement of visitors' satisfaction**

Improvement of visitors' satisfaction is a permanent goal of the tourism sector. In the Mexican context, it is especially important to cope with the following issues:

- Poor adaptation to diversified consumer needs, and
- Insufficient competitiveness of tourism services.

There are three directions to achieve the strategy. Firstly, improving tourism capacitation and measures to support tourism SMEs are vital to improve visitors' satisfaction. This makes a prerequisite to promote local participation in tourism.

Secondly, improvement of travel conditions such as reception services, creation of sense of arrivals, and improvement of wayside amenities directly influence the evaluation of a tourism destination by visitors.

Thirdly, maintaining the quality of tourism destination is an important point to improve visitors' satisfaction. In this sense, assuring sustainability in tourism closely links to visitors' satisfaction. Segment by segment approach to the market is more appreciated by consumers than to provide them with a common-to-all tourism product. Hence, to diversify tourism products improves visitors' satisfaction.

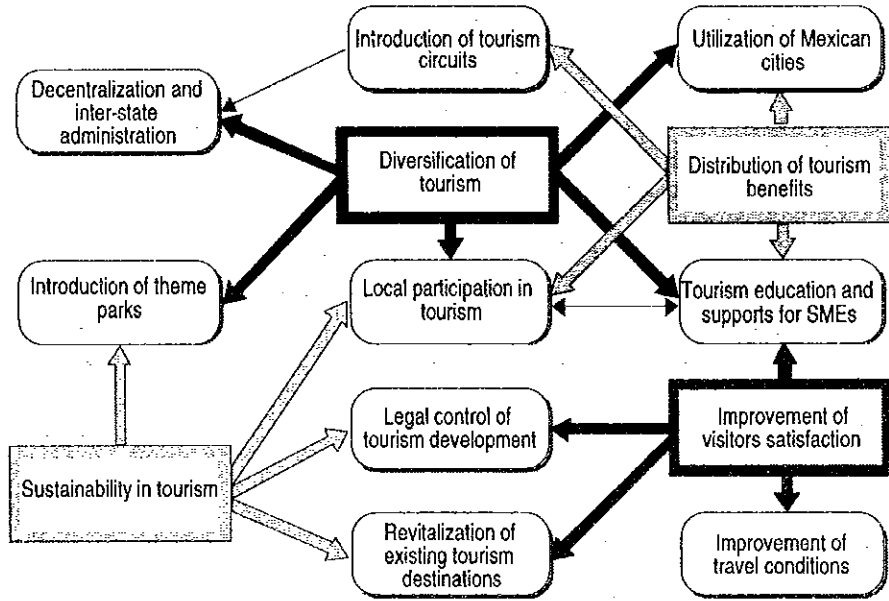
**2.2.3. Measures for realizing the strategies**

Nine measures are identified to materialize the above mentioned strategy. They are:

- |   |
|---|
| <ul style="list-style-type: none"><li>- Local participation in tourism</li><li>- Introduction of theme parks</li><li>- Tourism use of Mexican cities</li><li>- Legal control of tourism development</li><li>- Revitalization of existing tourism centers</li><li>- Introduction of tourism circuits</li><li>- Decentralization and multi-state tourism administration</li><li>- Improvement of travel conditions, and</li><li>- Enhancement of tourism capacitation and supports for tourism-related SMEs</li></ul> |
|---|

Figure 2. 7 shows the relationship between the four strategies and 9 measures. Chapter 3 details the measures.

Figure 2.7 Relationship between four directions and nine measures



Source: JICA study team