

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

1

Final Report
Volume -1
Summary

February, 1997

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

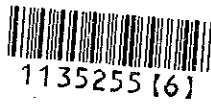
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The exchange rates applied in this study are:

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", written in a cursive style. The signature is positioned above a horizontal line.

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".

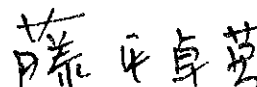
This report compiles the results of the study which was undertaken in the United Mexican States, from September 1995 to October 1996 by the study team, organized jointly by Pacific Consultants International and System Science Consultants Inc.

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

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

Study Period: September, 1995- February, 1997
Counterpart Agency: Secretariat of Tourism (SECTUR)

Outline of the Study

1. Background

Mexico offers an incredible variety of tourism resources such as beaches, archaeological sites, quaint townscape, indigenous cultures, as well as ecological tourism resources. The number of international visitor arrivals including border tourism amounted to 20.2 million in 1995. The tourism sector accounted for 3.2% of the total GDP and 9.0% of the direct employment in Mexico. Over the past decades, Mexico has concentrated its tourism efforts targeted at short-haul beach resort tourism from the United States. Although the strategy achieved a certain success, it has been gradually recognized that Mexico has tourism potential as well as the need to attract visitors from other markets. In this context, new tourism strategies are being sought to diversify tourism products and markets for existing beach destinations.

2. Objectives of the JICA study

The objectives of the study are to formulate tourism development and promotion strategies for the three destinations of Los Cabos, Puerto Vallarta and Cancun by the target year of 2010.

3. National strategy

3.1. Eight issues of Mexican tourism

Issues of Mexican tourism identified by JICA study team are summarized as follows:

- Over-dependence on a single market segment of short-haul beach resort tourism,
- 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,
- Throwaway culture in tourism and threats from tourism to nature areas,
- Poor competitiveness of tourism services, and
- Necessity for decentralization of tourism administration.

3.2. Four directions and nine measures of the national strategy

Four directions of the national strategy by the target year 2010 was identified based on the above issues and the goals of the tourism sector set by SECTUR's Tourism Sector Development Program. They are as follows:

- 1) Distribution of tourism benefit,
- 2) Diversification of tourism,
- 3) Sustainability in tourism, and
- 4) Improvement of visitor satisfaction.

Nine measures are set to realize the four directions of the national strategy as follows.

(1) Local participation in tourism

Promotion of local participation in tourism would distribute tourism benefit to a wider range of people, and diversify tourism products for better satisfaction of consumers. It would be achieved by providing supporting measures for tourism SMEs such as marketing and financial supports. Alternative tourism, which includes ecotourism and village tourism and is defined as small-scale low-impact tourism with emphasis on local initiative in tourism development, is the most appropriate form of tourism to be developed through local participation.

(2) **Introduction of theme parks**

Development of theme parks is proposed as a way to create new tourism products as well as to protect local communities from negative impact of mass tourism. Theme parks that are deemed to be the most appropriate to be developed in Mexico are a type of tourism facilities that present typical traditional culture to its visitors by hiring local people as actors and actresses like "Polynesian Cultural Center" in Hawaii and "Edo-mura" in Japan.

(3) **Tourism use of Mexican cities**

Cities that retain typical Mexican ambiance are one of the most important elements of the travel in Mexico. Several proposals to utilize these cities for tourism are made to enhance their attractiveness such as measures to promote conversion of traditional buildings into tourism establishments, and to control traffic in historical districts by encourage visitors' use of public transportation.

(4) **Legal control of tourism development**

To induce low-density and nature-oriented development will be crucial to assure sustainability and cater for the needs of up-market clientele. Proposals to address these include the introduction of development guidelines to beach resort areas and a universal zoning system for archaeological sites.

(5) **Revitalization of existing tourism centers**

It is pointed out that maintaining existing tourism destinations is essential from the viewpoint of environmental sustainability as well as from financial profitability. Measures to promote conservation, renovation, and redevelopment of old districts in beach destinations are proposed, such as zone designation and provision of soft loans and tax exemption.

(6) **Introduction of tourism circuits and tourism region concept**

Tourism circuit enhances the competitiveness of existing beach destination by combining it with inland tourism products as "added values," distributes tourism benefits to a wider area, and diversifies tourism markets since tourism circuit generally appeals more to the long-haul market. It is pointed out that establishing inter-state organization is a prerequisite to introduce tourism circuits.

Based on tourist behaviors, four levels of hierarchical system was introduced to analyze the tourism structure of Mexico.

(7) **Decentralization and inter-state tourism administration**

It is discussed that SECTUR should concentrate on policy formulation while proposed semi-governmental or privatized organizations should detach the function of policy implementation from SECTUR for the decentralization of tourism administration. At the local level, establishment of an inter-state organization that covers a tourism circuit is vital to promote the long-haul market.

(8) **Improvement of travel conditions**

Proposals are made to improve the availability of tourism information both for consumers and for the travel trade. The weaknesses of visitor reception services and visitor management system are pointed out for improvement. The most notable points are inadequate services at international airports, lack of brochures that provide practical know-how for visitors to explore a destination, and poor services in hotels. Periodical airport survey is proposed to monitor visitor's satisfaction level.

(9) **Enhancement of tourism capacitation and supports for tourism SMEs**

Measures to improve the quality of tourism services, and to support tourism SMEs for local participation in tourism are discussed. For the former aspect, a system that motivates tourism employees to receive higher tourism education is proposed. For the latter aspect, public sector's support for financing, training of management skills, and marketing would be crucial.

3.3. Planning framework (target figures)

Development framework at the national level was set as follows:

Unit:1,000	1995	2000	2002	2005	2010
Domestic (Hotel arrivals)	34,588	44,000	48,108	55,000	70,000
International (border arrival)	20,162	25,000	26,891	30,000	36,000
International excluding border tourism	7,784	10,052	10,863	12,235	15,402
Hotel room requirement	289,333	350,000	-	410,000	490,000

4. Regional strategies for the selected tourism destinations

4.1. Strategy of Los Cabos

(1) Development and promotion strategy

a. Action plan strategy by 2002

At the action plan stage, Los Cabos should concentrate its development efforts on the one-day trip area. It is also necessary to prepare for the future stage: to develop infrastructure for more nature-oriented development in the East Cape area, and for linkage with Copper Canyon which is evaluated to be as competitive as Grand Canyon in the USA. Revitalization of La Paz is important to improve its hub function for touring circuits that will be stressed in the long-term strategy.

b. Long-term strategy by 2010

By the target year of 2010, Los Cabos should formulate Los Cabos - La Paz Resort Belt and touring circuits of Los Cabos - Copper Canyon Corridor, Mar de Cortes Eco-cruise, and Baja Ecotourism Circuit. The coastal area along Mar de Cortes should be established as an alternative beach resort area that would be contrasted with existing beach centers, and characterized by nature orientation and exclusive low-density development.

Within the one-day trip area, a variety of tourism products should be developed to strengthen the competitiveness of Los Cabos. These tourism products should focus on the two aspects, namely, wise use of the nature for tourism, and integration of tourism with local economy.

c. Marketing directions

Tourism Image

- Exclusive beach resorts in the wilderness of desert landscape,
- Ecotourism destination centered on "desert" and "marine animals," and
- Golf and game fishing destination.

Target markets

- People interested in nature and wildlife and willing to participate in ecotourism,
- Beach resort tourists from North America, and
- Asian tourists for beach and the nature.

d. Development framework in 2010

- Total hotel bed-nights: 2,570,000 (domestic; 7,810,000. international; 1,789,000)
- Hotel room requirement: 15,807 rooms

(2) Development and promotion projects

a. Action projects for implementation by 2002

Tourism development projects: (457,975,000 pesos, US\$ 61,063,000)

- 1) Road improvement of the section of San Jose del Cabo-Buena Vista
- 2) Development of Pichilingue beach resort
- 3) Tourism amenity improvement of La Paz
- 4) Conservation and tourism amenity improvement of San Jose Estuary and historic center of San Jose del Cabo

-
- 5) Integration of the north and south areas of Cabo San Lucas
 - 6) Improvement of inter-city public bus services between Cabo San Lucas and San Jose del Cabo

7) Introduction of public high-speed boats between La Paz and Topolobampo

Tourism promotion projects: (186,972,000 pesos, US\$ 24,930,000)

Production of tourism promotion materials and establishment and implementation of various tourism promotion programs.

b. Total development costs of the projects for implementation by 2010

- Tourism development projects: 8,359,318,000 pesos (US\$ 1,114,576,000)
- Tourism promotion projects: 495,486,000 pesos (US\$ 65,258,000)

4.2. Strategy of Puerto Vallarta

(1) Development and promotion strategies

a. Action plan strategy by 2002

At the action plan stage, Puerto Vallarta should concentrate its development efforts on its one-day trip area, Puerto Vallarta - Guadalajara Corridor, and Costalegre which is the coastal area between Puerto Vallarta and Manzanillo. It is important at this stage to conserve the nature of Costalegre from uncontrolled development.

b. Long-term strategy by 2010

By the target year of 2010, Puerto Vallarta should formulate Jalisco Tourism Triangle composed of two beach destinations of Puerto Vallarta and Manzanillo and the historical city of Guadalajara. The triangle connects to Mexican Cities Circuit in the Central Highland of Mexico. The Costalegre Resort Belt should be established by the year as a nature-oriented resort area with exclusive accommodations different from the existing beach center. Puerto Vallarta proper should also be thriving with introduction of various tourist facilities as well as conserved Mexican ambiance.

c. Marketing directions

Tourism Image

- The "most-Mexican" beach destination in Mexico,
- Combination of a beach and quaint Mexican towns,
- Expanse of blue sea viewed from lush green hillside,

Target markets

- Mexicans from the Central Highland area,
- Beach resort tourists from North America,
- Latin Americans who are interested in Mexican historical cities and the Mestizo Mexican culture,
- General-interest tourists who are culturally motivated both from the long-haul and the short-haul markets,

d. Development framework in 2010

- Total hotel bed-nights; 6,943,000 (domestic; 5,498,000, international; 1,445,000)
- Hotel rooms requirement; 43,934 rooms

(2) Tourism development and promotion projects

a. Action projects for implementation by 2002

Tourism development projects: 420,075,000 pesos, US\$ 56,010,000)

- 1) Conservation and urban beautification of the historical center of Puerto Vallarta
- 2) Hillside tourism complex development near Parroquia de Guadalupe
- 3) Puerto Vallarta convention center development
- 4) Development of Mexican Village in Guadalajara
- 5) Tourism amenity improvement of Tequila town

6) Conservation and tourism amenity improvement of the three traditional villages of San Sebastian, Mascota and Talpa

7) Road improvement of the section of Puerto Vallarta-Mascota

Tourism promotion projects (238,466,000 pesos, US\$ 31,795,000)

Production of tourism promotion materials and establishment and implementation of various tourism promotion programs.

b. Total development cost of the projects for implementation by 2010

- Tourism development projects: 17,456,297,000 pesos, (US\$ 2,327,506,000)
- Tourism promotion projects: 632,168,000 pesos, (US\$ 84,289,000)

4.3. Strategy of Cancun

(1) Development and promotion strategy

a. Action plan strategy by 2002

At the action plan stage, solving the environmental issue in Nichupte Lagoon has the first priority to sustain the growth of the Cancun tourism region. On the other hand, Cancun should improve tourism network and tourism products within its one-day trip area, prepare infrastructure to develop Costa Maya, and to introduce ecotourism in the Mundo Maya Circuit

b. Long term strategy by 2010

The Cancun tourism region should develop Costa Maya as another beach center, and formulate Cancun - Costa Maya Resort Belt. The resort belt should include various types of beach resort development from high-rise hotels in the Cancun hotel zone to an exclusive eco-lodge style accommodation in Sian Ka'an, thus catering for different types of visitors.

Community-based ecotourism combined with archaeological tourism should be thriving at various sites along Mundo Maya Circuit. Banco Chinchoro should be introduced as another diving destination comparable to Cozumel. On the other hand, revitalization of Cancun is another important issue. Convention and incentive tourism would be an important target of Cancun.

c. Marketing directions

Tourism Image

- The gateway to the Mayan World
- A destination with an ideal combination of coral beaches and a pre-Hispanic culture
- Tropical rain forest

Target markets

- Cultural tourists who are interested in archaeology and the indigenous culture but prefer to rest and relax after touring the Mayan World
- People who are interested in diving and underwater scenery
- Long-weekend tourists from the southeastern part of USA
- Convention and incentive tourism

(2) Development framework

- Total hotel bed-nights; 5,610,000 (domestic: 1,324,000, international: 4,286,000)
- Hotel room requirement: 50,397 rooms

(3) Tourism development and promotion projects

a. Action projects for implementation by 2002

Tourism development projects: (3,198,044,000 pesos, US\$ 426,406,000)

- 1) Laguna Nichupte environmental improvement,
- 2) Improvement of Federal Highway No. 307; Cancun- Chetumal,

- 3) Road improvement of the section of Tulum - Coba - Autopista No.180,
- 4) Nature conservation and tourism amenity improvement of Yum Balam Biosphere Reserve,
- 5) Nature conservation and tourism amenity improvement of Banco Chinchorro,
- 6) Ecotourism development in Kohunlich archeological site,
- 7) Community-based ecotourism development in Xpjiil archeological sites, and
- 8) Infrastructure development for Costa Maya resort.

Tourism promotion projects: 335,680,000 pesos, US\$ 44,757,000

Production of tourism promotion materials and establishment and implementation of various tourism promotion programs.

b. Total development cost of the projects for implementation by 2010

Tourism development projects: 27,296,416,000 pesos, (US\$ 3,639,522,000)

Tourism promotion projects: 855,866,000 pesos, (US\$ 114,115,000)

5. Project costs

The necessary investment costs for the three study areas are as follows:

Tourism region		Short-term (1997-2000)	Med.-term (2001-2005)	Long-term (2006-2010)	Total (1997-2010)
Los Cabos	Development	2,668,334	2,641,769	3,049,215	8,359,318
	Projects	355,778	352,236	406,562	1,114,576
	Tourism promotion projects	111,844	193,098	190,543	495,486
Puerto Vallarta	Development	14,913	25,343	25,002	65,258
	Projects	1,351,537	11,326,170	4,778,590	17,456,297
	Tourism promotion projects	180,205	1,510,156	637,145	2,327,506
Cancun	Development	143,165	245,848	243,155	632,168
	Projects	19,089	32,780	32,421	84,289
	Tourism promotion projects	7,134,200	8,400,126	11,762,090	27,296,416
	Projects	951,227	1,120,017	1,568,279	3,639,522
	Tourism promotion projects	193,885	333,627	328,354	855,866
		25,851	44,484	43,781	114,115

Note: The upper line is in 1,000 Pesos and the lower line is US\$ 1,000

Public investment accounts for 27% of the total investment in Los Cabos. 56% of the public investment should be made by federal government agencies and local governments for development of infrastructure and public utility services. Public investment accounts for 58% in Puerto Vallarta, and 92% of the public investment is expected from federal government agencies and local governments for development of infrastructure and utility services. Public investment constituted 57% of the total investment in Cancun, and 85% of the public investment are expected from federal government agencies and local governments. The investments for the projects which are purely for tourism purposes account for 12%, 4% and 14% of the total investments in Los Cabos, Puerto Vallarta and Cancun, respectively.

Since the investment for hotel development constitutes more than 95% of the total private sector investment in all tourism regions, keen efforts should be made to promote and direct private investors in hotel development.

6. Evaluation on the study

Economic analysis

Economic internal rate of return (EIRR) of the tourism investments in the study areas are as follows:

- Los Cabos: 11.1 %
- Puerto Vallarta: 12.4 %
- Cancun: 24.7 %

Economic feasibility of Los Cabos and Puerto Vallarta are not very favorable. Therefore it is strongly recommended for the two destinations to make active efforts to increase visitor arrivals with promotion activities.

Financial analysis

The efficiency of public investment is evaluated by the revenue (tax revenue from tourism facilities) and expenditure ratio (R/E ratio) with the assumption of an 8.5% discount rate, which is supposed to be an opportunity cost of capital in general. The Financial Internal Rate of Return (FIRR) is also calculated. The results are shown as follows:

	R/E ratio	FIRR
- Los Cabos :	2.62	19.9 %
- Puerto Vallarta:	1.03	19.2 %
- Cancun:	1.84	27.5 %

The R/E ratio of Puerto Vallarta is rather low but tax revenue exceeds the public investment. The FIRR shows that the private investment may be discouraged in case of the increase of the commercial interest rate.

7. Recommendations

7.1. Recommendations at the regional level

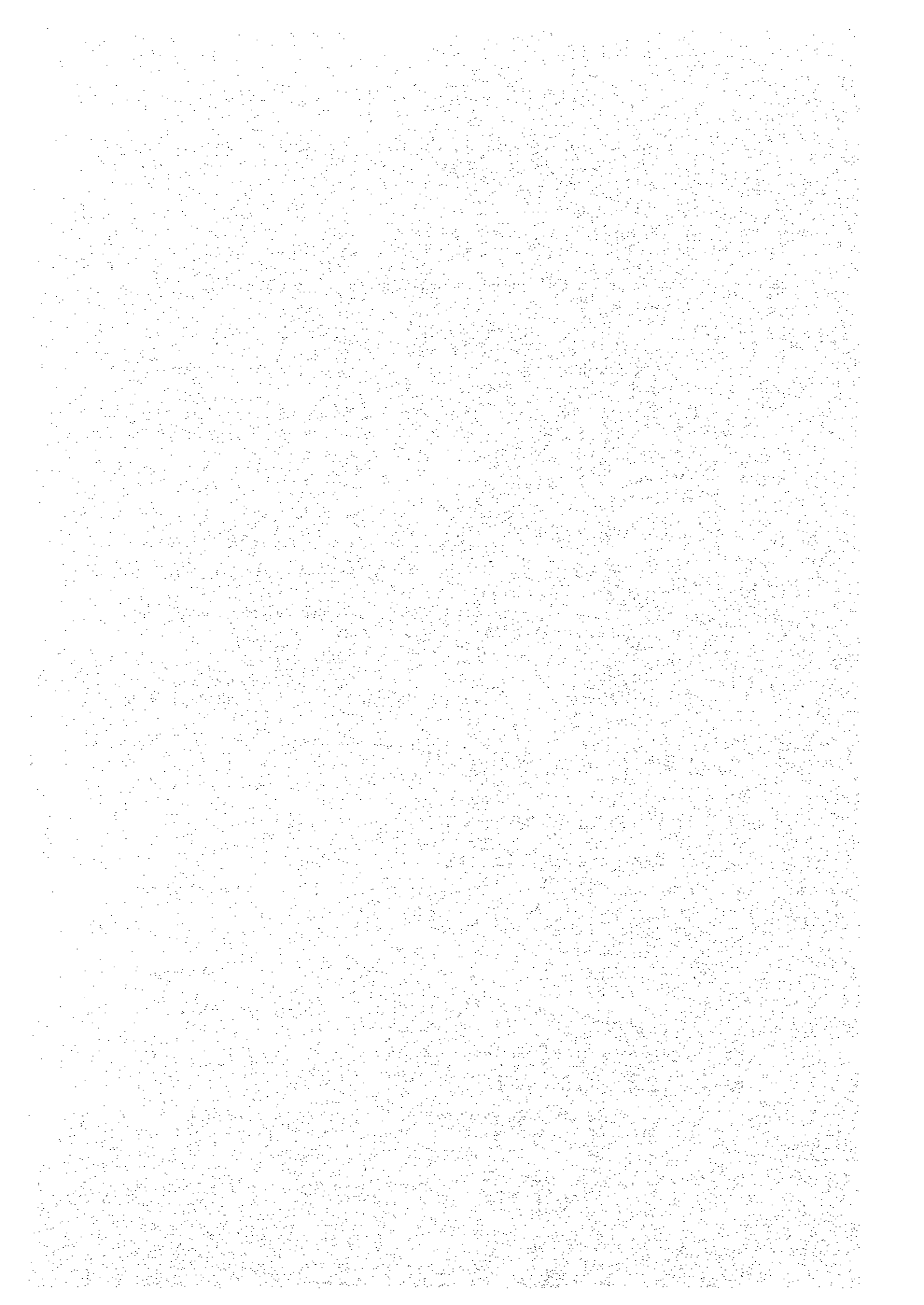
It is necessary to implement the proposed projects by the target year of 2010. The following are major points for consideration for the implementation of the projects.

- 1) Close coordination with related agencies at national and regional levels,
- 2) Privatization of profitable projects,
- 3) Conduct of detailed feasibility study prior to the implementation of each project,
- 4) Better utilization of FONATUR funds,
- 5) Conduct of Environmental and Social Impact Assessment prior to the implementation ,
- 6) Establishment of inter-states tourism organizations for tourism administration and tourism promotion,
- 7) Establishment of a financial assistance system for tourism SMEs to encourage local participation in tourism , and
- 8) Introduction of an education system of ecotourism to promote local participation and tourism diversification.

7.2. Recommendations at the national level

SECTUR should share significant roles to implement the proposed projects. The following are major issues for SECTUR.

- 1) Enhancement of the coordination function of SECTUR among the federal government agencies,
- 2) Strengthening of assistance function to local governments for tourism development and promotion,
- 3) Introduction of an inter-state coordination system for tourism administration and tourism promotion,
- 4) Restructuring of SECTUR by introducing semi-governmental or privatized organizations,
- 5) Establishment of a financial assistance system for tourism SMEs,
- 6) Establishment of a certification system linked with the wage structure for tourism employees, and
- 7) Preparation of guidelines and training programs for the education of ecotourism, which is to be conducted by local governments.



Volume-1 Summary
Table of Contents

	Page
1. Introduction	
1.1. Background of the study-----	1
1.2. Study areas -----	1
1.3. Objectives of the study -----	3
2. National strategy	
2.1. Review of the existing conditions-----	3
2.2. Tourism development and promoton strategy -----	9
3. Strategy of Los Cabos	
3.1. Existing conditions -----	31
3.2. Assessment of alternative scenarios -----	33
3.3. Tourism strategy of Los Cabos tourism region -----	34
3.4. Tourism development and promotion projects -----	39
3.5. Economic and financial analyses-----	41
4. Strategy of Puerto Vallarta	
4.1. Present Situation -----	43
4.2. Assessment of alternative scenarios -----	45
4.3. Tourism strategy of the Puerto Vallarta tourism region -----	46
4.4. Tourism development and promotion projects -----	52
4.5. Economic and financial analysis -----	54
5. Strategy of Cancun	
5.1. Present Situation -----	56
5.2. Assessment of alternative scenarios -----	58
5.3. Tourism strategy of the Cancun tourism region-----	59
5.4. Tourism development and promotion project-----	64
5.5. Economic and financial analysis -----	67
6. Recommendations	
6.1. Recommendations at the regional level-----	69
6.2. Recommendations at the national level -----	69

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)

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 Públicos)
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)

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)
INTO	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 Narurales y Pesca)
SES	Secretariat of Health (Secretría de Salud)

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)
SIT	Special Interest Tours (Viaje de Interés Especial)
SMEs (PMEs)	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)

1. Introduction

1.1. Background of the study

Mexico offers an incredible variety of tourism resources, such as the beach resorts found on all coasts, archaeological sites of ancient civilizations, colonial architecture, folk arts and handicrafts of indigenous peoples, not to mention highly diverse natural resources. In 1995, international visitors arrivals recorded 20.2 million excluding visitors of less than 24 hours, and the tourism sector of the country accounted for 3.2 % of the GDP and created 9 % of the country's employment. Tourism took third place after Industry and Oil Production in percentage of foreign currency earned. In the near future tourism is expected to overtake Oil Production for second place.

While the tourism of Mexico is managed by the Secretariat of Tourism (SECTUR), Mexico's tourism development has been mainly conducted through funds allotted to tourism projects and the direct investment made by the National Fund of Tourism Development (FONATUR) set up in 1974 under the auspices of the SECTUR. This direct investment has been utilized for the preparation of master plans for large-scale integrated tourism development projects conducted in such places as Cancun, Ixtapa, Loreto, Los Cabos, and Huatulco.

All of these tourism projects are based on beach resort tourism for the short-haul mass-tourism market. In other words, Mexico has concentrated its tourism efforts targeted at the largest market, the United States, which lies directly to the north.

Although the strategy achieved a certain success, it has been gradually recognized that Mexico also has potential to attract visitors from other markets. Drawbacks of the integrated development projects have also come to be recognized. Under such circumstances, the "Tourism Sector Development Plan (1995 to 2000)", conscious of the importance of the North American market, intends to undertake the diversification of tourism products as well as target markets as a major issue in its efforts in tourism promotion. New tourism strategies are needed for existing tourist areas, particularly for beach centers.

1.2. Study areas

The scope of work of this study specified to conduct a study of three beach destinations in Mexico. They were Los Cabos and Cancun, as well as another destination that was to be chosen by JICA study team from four candidate destinations of Mazatlan, Puerto Vallarta, Acapulco, and Huatulco.

The JICA study team and SECTUR have agreed that the study of the selected destinations should provide models applicable to other tourism destinations in Mexico. As Los Cabos and Cancun have already been chosen, a tourism destination that has the most different characteristics from the two destinations had to be chosen from the four. The JICA study team made site surveys of all the six destinations and summarized the survey results in Table 1. It shows that Puerto Vallarta is the most appropriate destination to be chosen as a study area for having the most different characteristics compared with Los Cabos and Cancun.

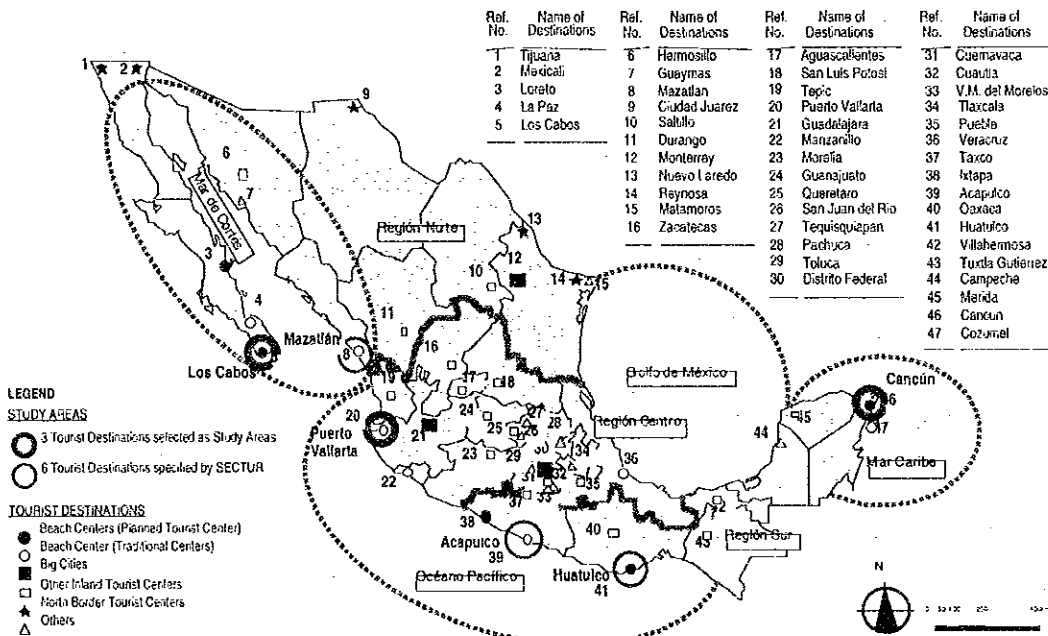
Figure 1 shows the locations of the three destinations, namely, Los Cabos, Puerto Vallarta, and Cancun.

Table 1 Comparison of six tourism destinations

Typology		Classification	Los Cabos	Mazatlan	Puerto Vallarta	Acapulco	Huatulco	Cancun
Development type		Integrally planned	●				○	●
		Traditional beach		○	○	○		
Geographic characteristics	Sea region	Sea of Cortes	●					
		Pacific Ocean		○	○	○	○	
		Caribbean Sea						●
	Land region	North region	●	○				
		Central region				○		
South region						○	○	●
Resort life cycle		Initial stage	●				○	
		Growth stage		○	○			
		Maturity stage				○		●
Development size	Hotel capacity (Star hotels in 1994)	Large				15,368		18,772
		Middle		6,343	9,886			
		Small	3,980				1,778	
	Hotel arrivals in 1994 (1,000)	Large				1,930.1		1,958.1
		Middle		886.3	897.5			
		Small	361.9				169.9	
Market characteristics		International market oriented	86%	76%	39%	16%	26%	74%
		Domestic market oriented	14%	24%	61%	84%	74%	26%
Adequacy for the study area				5	7 (full mark)	3	2	

Source: JICA Study Team

Figure 1 Location of JICA study areas and major tourism destinations in Mexico



Source: JICA Study Team

1.3. Objectives of the study

The objectives of the study are as follows:

- 1) To formulate tourism development and promotion strategies for the three selected destinations with the target year 2010.
- 2) To propose a short-term action plan for completion by the target year 2002, and
- 3) To make recommendations for other tourism areas based on the results of this study.

2. National strategy

2.1. Review of the existing conditions

2.1.1. Tourism market in the future

The following is a forecast of the tourism market on which tourism planning should be based.

(1) Improvement of travel conditions

Increase of disposable income, reduction of travel cost, development of transport infrastructure would make tourism more affordable for consumers. Development of highway network often substitutes air traffic for buses, which drastically reduces travel cost. In the Mexican context, development of highway network would promote beach resort tourism from inland cities.

(2) Diversification of origin markets

Economies in Asia and Latin America will be growing at higher rates than those of developed countries, which would stimulate the growth of their tourism markets. Relative decrease of air fare would reduce the influence of distance when consumers choose a destination to travel. It implies that a tourism destination becomes more competitive over the long-haul market in the future, while its competitiveness weakens over the short-haul market.

(3) Increase of experienced tourists

Improvement of travel conditions would generate a sizable number of experienced tourists. As consumers become experienced in travel, they come to demand higher-quality services with an affordable price, and would be less interested in common-to all tourism products. As consumers travel more frequently, they would travel a smaller area more intensively. Independent travel would be more popular because consumers would improve their travel skill and the destination side would improve reception services due to a wider recognition of tourism as a measure for economic development.

(4) 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.

(5) 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. Huge resort development with high-rise hotels might go against the taste of consumers in the future.

(6) Increasing importance of tourism facilities

Though it may seem contradictory to the nature-orientation, tourism facilities would gain popularity in the tourism market since the know-how and technology to operate the facilities would advance in the future. Theme parks, theme hotels would be increasingly important in the future tourism market.

2.1.2. Assessment of geographic market segments

The tourism market of Mexico can be classified into six regional segments. Visitors from different geographic regions differ considerably in their expectations of Mexico as shown in Table 2. The following are the characteristics of each of these regional market segments.

Table 2 Principal purpose for visit to Mexico

	North America	Latin America	Europe	Asia	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 conducted by JICA study team

(1) Domestic market

The domestic market is the largest market for the country with 62 million bed-nights according to 1994 hotel statistics. SECTUR estimates the domestic market volume to be 136 million person-trip, and the gap between the estimate and the hotel statistics indicates a low utilization ratio of hotel accommodation. The growth rate over the past decade was only 0.6 %, the lowest among the all markets. The average number of nights spent in accommodation per trip is 6.9 nights according a SECTUR survey, which is again the lowest figure.

The market has provided major clientele for inland historical cities though beach tourism is gaining popularity. Although the past growth rate has been low, the market does not seem to have reached its full potential taking into account Mexico's potential for further economic growth.

(2) Paisano market

Paisano market segment is comprised of Mexican expatriates, 98% of whom are from the USA. The growth rate is the highest among all market segments, but it is not certain how sustainable the growth rate will be in the future. The hotel use ratio of this market is approximately 14%, while 59% of these people stay at relatives'/friends' homes.

(3) Southbound market (North America)

The North American market generated 13 million bed-nights which is the second largest market only next to the domestic market. Its annual growth rate over the past decade was 3.5% which is the second lowest according to 1994 hotel statistics. The most notable characteristic of the market is its strong beach orientation. The airport survey by JICA study team shows 65% of the visitors from the market come to Mexico for beaches. Travel itineraries are generally short, and the fly-in fly-out type of itineraries is dominant. Long-weekend trips are popular from border states of the USA while two-week beach holiday is common to visitors from Canada.

Although Mexico is regarded as a beach destination partly due to the past tourism policy of Mexico, there is good potential for other types of tourism such as archaeological and cultural tourism, as well as ecotourism.

(4) Northbound market (Latin America)

The Latin American market generated 2.5 million hotel bed-nights with an annualized growth rate of 4.4% over the past decade according to 1994 hotel statistics. The growth rate over the past 5 years is 12% reflecting the rapid economic expansion in the major countries in this region such as Brazil, Argentine, and Chile. Though the most popular destination is beaches with 41% of the total, it is followed by colonial cities with 17%, the highest figure for this tourism product among all the geographic market segments.

Although economies in Latin America have been fluctuating in the past, growth rate of the region's economy as well as tourism market would likely be higher than those of developed countries in the future. Visitors from Spanish-speaking countries have good awareness of Mexican culture and history, which would be utilized to lure them out from the region.

(5) Westbound market (Europe)

The European market generated 3 million bed-nights with annualized growth rate of 12.6% over the past decade according to 1994 hotel statistics. The airport survey shows that 37% of the visitors from Europe came to Mexico for archaeological sites, 23% for beaches, and 11% for indigenous peoples and cultures. The market segment prefers to combine a tour with a stay at a beach. Another notable characteristic is its preference for low-rise accommodation in a natural setting, which should be considered when designing beach destinations.

Due to long holiday entitlement, expensive living cost in their short-haul beach destinations, and availability of inexpensive long-haul charter flights, long-haul destinations are increasingly competitive against the short-haul destinations from Europe. Mexico has a good opportunity to develop the market by enhancing its image as a combination of pre-Hispanic culture and coral beaches.

(6) Eastbound Market (Asia)

The Asian market generated 0.3 million hotel bed-nights with annualized growth rate of 6.8% over the decade. Though this is the least developed market segment, the tourism potential of this market segment is high considering the fact that this area has been experiencing the world most rapid economic growth.

The airport survey shows that 44% of the visitors from the region came to Mexico for archaeological sites. Younger tourists are interested in beach destinations. Mexico is often combined with cities in the USA probably due to a limited awareness of Mexican cities. Asia abounds in beautiful beaches therefore the basic strategy for the market segment would be to appeal the combination of cultural or natural attractions and a beach like the case in the European market.

2.1.3. Assessment of tourism products

(1) Beach resort tourism

Short-haul beach resort tourism is the market segment which the Mexican tourism sector should consolidate though competition is quite tough. Caribbean countries would be the most formidable rival of Mexico. As Table 2 shows, the importance of beaches is remarkable for the North American market.

Beach destinations that are successful in the long-haul market such as Bali and Kenya generally have tourism attractions or "value added" other than beaches. Since Mexico has a good number of competitive tourism products both for culture and nature tourism, long-haul beach resort tourism is deemed to be a good market opportunity for Mexico. Long-haul beach resort tourism requires less urbanized

resort area located in an exotic milieu. Mexican beach destinations should recognize the potential and cater for the market needs.

(2) Nature and wildlife tourism

Environmental issues have become the global concern, and this is fueling the growth of nature tourism. The travel trade considers it as one of the up-market tourism opportunities contrasted with beach resort tourism. Despite the fact that Mexico abounds in tourism resources for nature tourism, poor market awareness currently hinders this type of tourism to develop.

Market volume of pure nature and wildlife tourism is not very large compared with beach resort tourism. Therefore, combining nature and wildlife tourism with beach resort tourism would appeal to a wider range of people.

(3) Archaeological tourism

As a general rule, cultural tourism is, compared with beach tourism, more suitable to long-distance markets. Archaeological tourism is the most important tourism product for visitors from Europe and Asia. There is a significant tourism potential in Mexico's pre-Hispanic cultural heritage.

Combining archaeological tourism with a stay at a beach resort would attract a larger volume of people like the case of nature and wildlife tourism. Similarly, archaeological tourism could be combined with nature and wildlife tourism, such as nature trekking to less known archaeological sites in the tropical rain forest.

(4) Mexican cities

Although nobody denies the charm of Mexican colonial cities, its competitiveness in the international tourism market is somewhat controversial compared with archaeological tourism. The principal reason is that there are so many competitors all over Latin America and in Spain. Giving a sense of "authenticity" by clarifying a distinct identity of the cities would be crucial. In this sense, "Mexican" would be a better term to refer to the tourism product rather than more commonly used term of "colonial." The airport survey shows that visitors from Latin America are the ones most interested in the cities probably due to their cultural tie with Mexico.

(5) Indigenous cultures

Although some measures for social consideration have to be taken, indigenous cultures would provide unique travel experiences for the visitors. Ecotourism that adopt selective marketing methods and theme park for the mass market would be appropriate forms of the utilization.

(6) Other cultural tourism

Farm products, handicrafts, music, dance, and so on could be tourism products if they are arranged to represent Mexicanhood. It is also important to utilize them to strengthen the linkage between tourism and local economy.

(7) Incentive/convention tourism

Incentive and convention tourism is a high-spending market thus worthy of development efforts. Cancun and Acapulco are relatively successful in this market segment though its full potential is not reached.

Beach destinations in Mexico should aim at "resort convention" market which is actually a form of incentive travel. As anchor cities in Latin America, Mexico City, Guadalajara and Monterrey have the 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 in the market's development.

(8) Theme parks

Since theme parks are scarce in Mexico, there would be good market opportunities if domestic family market is the primary market. Since the USA has a number of sophisticated theme parks, themes specific to Mexico would be preferable to lessen competition. Lack of tourism attraction in beach resort areas is often pointed out by the travel trade. Introduction of theme parks would be a solution to the weakness of Mexican tourism.

(9) Cruise ship tourism

Cruise ship tourism is one of the fastest growing segment of tourism. Cozumel and Playa del Carmen, as well as major beach destinations on the Pacific coast are popular cruise ship destinations. The most notable feature of this market segment is that cruise ships are operated by foreign companies therefore economic benefit for Mexico is not very large. Though participation by Mexican enterprises into cruise market would be a good idea to prevent the outflow of tourism benefit, tough market competition would make it difficult. However, cruise ship tourism that focuses on niche markets such as nature and wildlife in Mar de Cortes might be a opportunity for Mexico. Promoting the combination of cruise package with a stay in a Mexican beach destination would be another idea to increase income from the cruise ship market.

(10) Sports activities

Sports activities are a market segment closely combined with beach resort tourism. Diving, game fishing, golf are activities that are popular in the three beach destinations. The airport survey shows that the short-haul market provides principal clientele for this market segment. Diving, however, may be competitive to attract visitors from the long-haul market.

Table 3 summarizes the relationship between tourism products and geographical market segment. It shows that nature and wildlife tourism, archaeological tourism, Mexican cities appeal to the long-haul market. while beach resort tourism, theme parks, cruise, and activities are important for the short-haul market.

Table 3 Prospect of tourism product by geographical 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

2.1.4. Eight issues of Mexican tourism

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

(1) Over-dependence on a single market segment

Mexico concentrated its tourism efforts in developing short-haul beach resort tourism, which had been successful over the past decades. It is questionable, however, whether the policy would be still effective in the next decades considering the changes in consumers' attitude toward tourism as discussed previously.

Distribution of business risks would be another rationale to reconsider the past tourism policy since tourism is vulnerable to uncontrollable external factors.

(2) Poor adaptation to diversified consumer needs

As consumers become experienced in tourism, they come to seek for unique and sophisticated travel experiences than their previous ones. As a consequence, they would be less interested in common-to-all tourism products like a beach resort lined with high-rise hotels. Tougher competition among tourism destinations would also enforce diversification of tourism products to improve consumers' satisfaction.

(3) Revealing of limitation in the integrated development system

Although integrated tourism development projects made great contribution to grow Mexican tourism, its emphasis on mass tourism is conducive to beach resorts with little Mexican characteristics. Insufficient capability to cater for experienced tourists, urban and environmental problems, leakage of tourism benefit, and marginalization of local people are also challenges to the integrated development system.

(4) Inadequate collaboration among tourism destinations

In the past when the target market of Mexican tourism was the short-haul beach resort tourism, touring circuits were of minor importance thus collaboration among tourism destinations was not given priority. Diversification of tourism market by attracting visitors from long-haul regions assumes collaboration among tourism destinations since long-haul visitors travel a wider area in a longer period than short-haul visitors. Recent development of highway network will shorten travel time and encourage the collaboration of wider areas.

(5) Marginalization of local people from tourism development

Tourism development in the past tended to depend on investors from outside of the communities in tourism destinations. It resulted in a large amount of economic leakage to the outside and marginalization of local people from tourism.

(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 increasingly important tourism concepts. It looks as if a new tourism center is thrown away after only a short period of using it. This tendency would provide a background to poor efforts to maintain and revitalize existing tourism centers, insufficient tourism use of traditional villages and historical towns, and threats from tourism development to nature areas such as mangrove forests and lagoons.

(7) Poor competitiveness of tourism services

Tourism service is hardly a competitive aspect of Mexican tourism but it has been offset by the advantage of Mexico's proximity to the US market. It needs improvement in order to attract visitors from long-haul regions where Mexico has no advantage in geographical location.

(8) Necessity for decentralization of tourism administration

Tourism administration in Mexico should undergo decentralization and privatization in response to the national policy to realize a small government. New demarcation scheme between Federal Government, local government, and the private sector should be drawn to maximize the performance of the tourism sector.

2.2. Tourism development and promotion strategy

2.2.1. Three goals of 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 study's target year of 2010. The following are the goals of tourism specified by the program.

- 1) to generate employment opportunities,
- 2) to increase foreign exchange earnings, and
- 3) to encourage regional development.

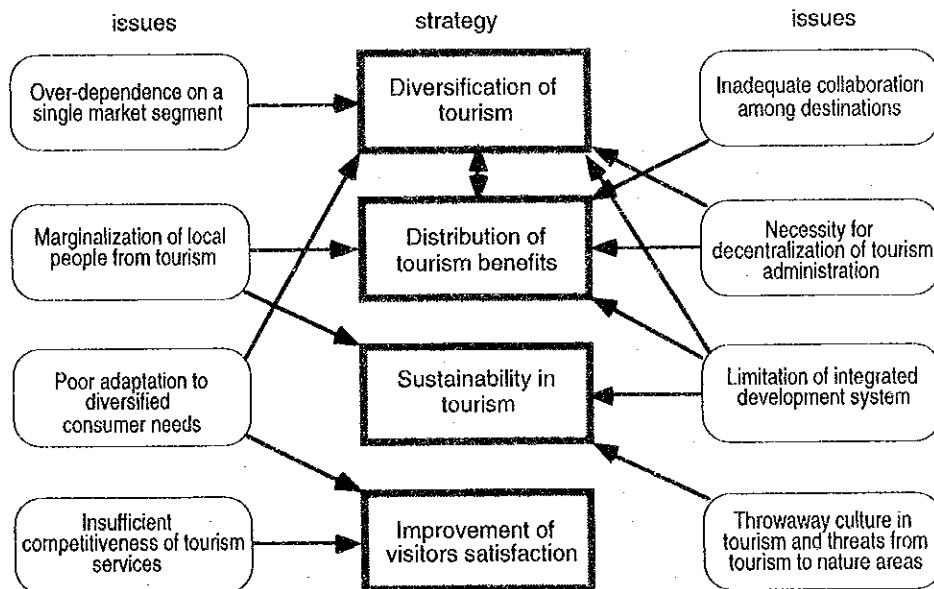
2.2.2. Four directions of the national strategy

Four directions of the national strategy are set based on the assessment of market opportunities, analysis of existing conditions, and the goals set by the Tourism Sector Development Program. They are:

- 1) distribution of tourism benefit,
- 2) diversification of tourism,
- 3) sustainability in tourism, and
- 4) improvement of visitor satisfaction.

Figure 2 shows the relationship between the eight issues as discussed previously and the four directions of the development strategy

Figure 2 Relationship between issues and strategy



Source: JICA study team

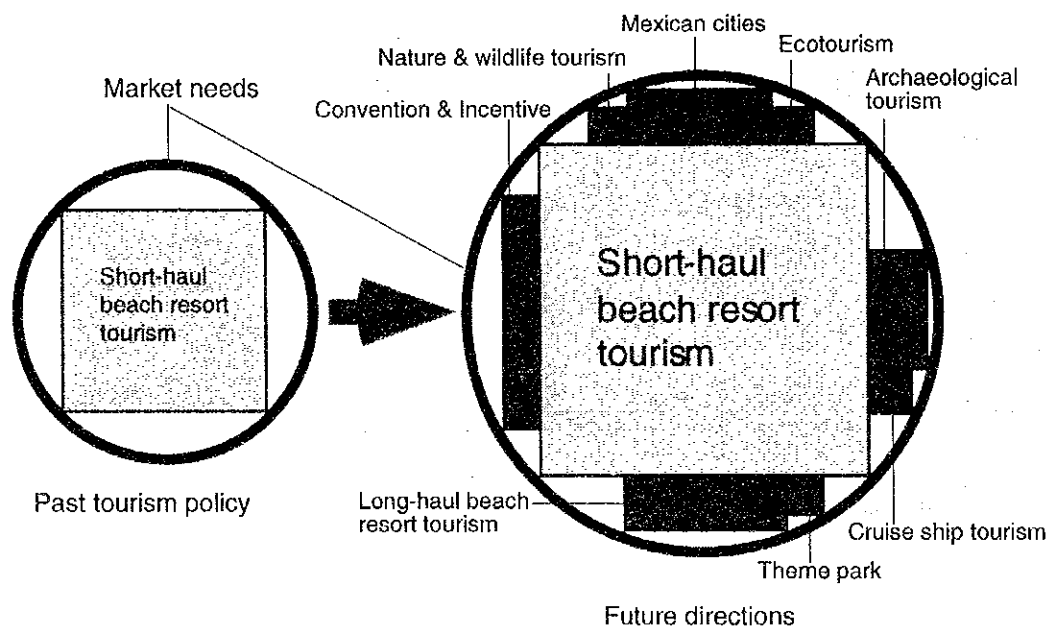
(1) Distribution of tourism benefit

Mexico should diversify its tourism markets as well as its tourism products to overcome the following issues.

- 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 3 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. There are two aspects of tourism diversification. One is toward the diversification of geographic tourism market, and the other is toward the diversification of tourism products.

Figure 3 Concept of diversification



Source: JICA Study Team

(2) Diversification of tourism

Tourism benefit needs 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. This would improve if tourism products that are based on local industries and that are created through local participation are introduced. There are two aspects of the distribution of tourism benefits, namely, geographical distribution and social distribution.

(3) Sustainability in tourism

Sustainability in tourism needs more emphasis to cope with 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.

(4) Improvement of visitor satisfaction.

Improvement of visitors' satisfaction is important to cope with the following issues:

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

Though improvement of visitors' satisfaction is a permanent goal of the tourism sector, in the Mexican context, it is especially important to diversify its tourism markets.

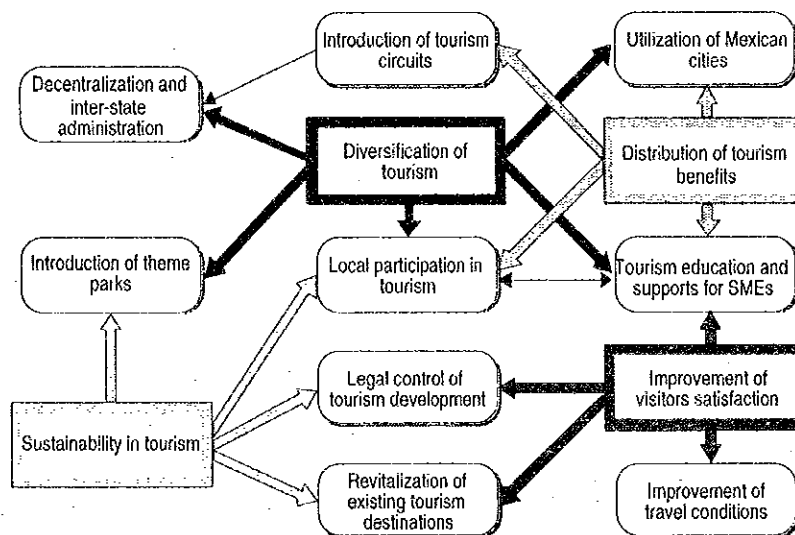
2.2.3. Nine measures to achieve the directions

Nine measures are identified to realize the national strategy. They are:

- 1) local participation in tourism,
- 2) introduction of theme parks,
- 3) tourism use of Mexican cities,
- 4) legal control of tourism development,
- 5) revitalization of existing tourism centers,
- 6) introduction of tourism circuits,
- 7) decentralization and multi-state tourism administration,
- 8) improvement of travel conditions, and
- 9) enhancement of tourism capacitation and supports for tourism-related SMEs.

The relationship between the directions and the measures are illustrated in Figure 4.

Figure 4 4 directions and 9 measures of the national strategy



Source: JICA study team

(1) Local participation in tourism

a. Alternative tourism

Alternative is an anti-thesis of conventional mass tourism that flourished in the past decades. Alternative tourism is an experiment for a better tourism development with a smaller scale, more local opportunities, less economic leakage, and fewer undesirable impacts such as environmental deterioration, price hike for locals, cultural and morale degradation, and widening of economic gap. Table 4 shows the comparison of conventional mass tourism and alternative tourism

Table 4 Comparison of conventional mass tourism and alternative Tourism

	Conventinal mass tourism	Alternative tourism
Accommodation		
Spatial pattern	Coastal	Dispersed
Scab	High density Large scale	Low density Small scab
Ownership	Integrated Foreign Multi-national	Home style Local Family Small business
Market		
Volume	Higher	Lower
Origin	One dominant market	No dominant market
Segment	Pshychocentric* - Midcentric	Allocentric* - Midcentric
Activities	Water/beach/nightlife	Nature/culture
Seasonality	Winter high season	No dominant season
Economy		
Status	Dominant sector	Supplementary sector
Impact	High import sector Repatriated profits	Low import sector Retained profits

Note: Pshychocentric are those prefer the familiar in travel destinations and low activity levels, while allocentric are those who tend to be more inquisitive and curious.

Source: David B.Weaver, Annals of Tourism Research Volume 18 1991

While the federal government has taken the initiative in integrated large-scale development, local government or local community should develop an alternative tourism. This also goes along with the national policy of decentralization. SECTUR's supports for tourism SMEs, not the initiative to conduct development projects, is vital to encourage alternative tourism.

b. Ecotourism

Ecotorism is a form of alternative tourism. Although the market volume is limited at present, it is probably one of the fastest growth segments in the world tourism market being fueled by the growing awareness of global environmental issues. Compared with beach resort tourism, ecotourism is generally more up-market oriented. Important elements of ecotourism would be as follows:

- Closer contact with,
- Lower impact on, and
- Financial contribution to conserve, the nature and indigenous cultures.

Ecotourism has two sub-categories: 1) nature ecotourism and 2) ethnic/anthropological ecotourism. Mexico has ample resources in both fields, and there is potential to combine these for more attractive products.

c. Tourism-related small and medium-sized enterprises (SMEs)

SECTUR should actively encourage the participation of local entrepreneurs in the tourist industry through financial support and by coordinating efforts with related government agencies. The following are promising products in the way of participation of local inhabitants:

-
- Agrotourism
 - Handicraft production
 - Folk entertainment (dance, music, etc.)

(2) Introduction of theme parks

There is a type of theme parks that presents "model culture" to its visitors. An ideal example is the Polynesian Cultural Center in Hawaii where visitors can enjoy and experience the typical Polynesian village life in the theme park. Model culture is not a raw culture but the reconstruction of elements extracted from the raw culture. This would give visitors a better understanding of how the local people live.

Conflicts between hosts and guests are a conventional issue for tourism. In the Mexican context, it could happen that influx of tourists into indigenous villages could negatively affect their socio-cultural conditions. This type of theme parks is expected to avoid the conflict as it diverts the greater part of tourist traffic from actual villages to tourism establishment. The JICA study team believes that the following two theme parks can be developed in Mexico:

- Mexican village: Mestizo-Mexican culture and history, and
- Mayan village: Mayan culture and history.

(3) Tourism use of Mexican cities

a. Conversion of traditional buildings into tourism establishments

Tourists seek for "authentic" experiences, and staying at a typical Mexican place would be one that would appeal to them. Its tourism potential is already recognized by many hoteliers, and there are examples of Mexican style accommodations. Many of these are converted from historical buildings such as hacienda, old mansion, and even bull ring. Even ordinary houses could be converted into beautiful small hotels that retain or create authenticity.

Conversion of old buildings with tourism potential is not always easy since owners may not know how to operate and manage these. They also need to go through a process of obtaining permission for conversion, which may be complicated for the inexperienced. The situation could be solved if SECTUR has a section that supports the whole process of conversion of old buildings to tourism establishments. The functions of the section would be as follows:

- Publicize the tourism value of historical buildings,
- Provide the know-how to convert the buildings into tourism establishments, and to operate hotels,
- Negotiate with concerned organizations such as INAH and municipal governments to realize the conversion,
- Find and intermediate appropriate investors and companies that would operate hotel, and
- Support tourism promotion activities, and provide market information.

b. Control of traffic in the historic centers

Issues confronting historic centers in many attractive Mexican cities are as follows:

- Traffic is often too heavy for tourists to appreciate historical buildings in an area,
- Central plazas (zocalo) are often used as parking space, and this spoils the historical townscape, and

The following measures would solve the above issues

- Improve public transportation
- Introduce a "park and ride" system

-
- Regulate the entry of taxis
 - Establish underground parking facilities under Zocalo
 - Build parking buildings with looks that complement the town's scenic beauty.

(4) Legal control of tourism development

a. Alternative development system

Integrated development has played a vital role in strengthening Mexican tourism in the past decades. The advantage of the development system is summarized as follows:

- Intensive investment of financial and human resources facilitates high-quality development,
- Coordination with local residents and organizations is relatively easy as development is planned in an untapped area,
- It is relatively easy to develop the infrastructure for environmental conservation,
- High-quality, large-scale development backed up by the central government is favorable to attract foreign investment and international visitors and,
- If the development is successful so as to receive a large number of foreign tourists in the area, favorable economic impacts would be likely to follow.

The development system, however, has revealed the following drawbacks after numerous applications to beach resort developments.

- Huge financial requirements need strong initiative by the central government. It is inconsistent with the global trend of decentralization,
- This method is apt to center on the coastal development for a beach resort . It results in partial distribution of tourism benefit,
- Mass market orientation often results in negligence of local traditions, and tends to turn the areas into characterless tourism destinations,
- The development tends to be high-density, to cause drastic landscape alteration, and to be prone to negative environmental impacts when environmental infrastructure is not sufficiently provided,
- Developed area is prone to rapid urbanization. This could result in the loss of original attractiveness,
- Large proportion of investors from the outside could result in high-leakage of economic benefit to the outside because of the insufficient integration of tourism and local economy,
- Fierce market competition in the beach resort tourism market could fail to generate sufficient economic benefits to recover the huge development cost,
- Foreign tourists, who may be less understandable about the local community of the host country , may create some conflicts with them as a result.

In conclusion, the integrated development system is suitable for a country with little tourism expertise to introduce tourism. Mexican tourism, however, should be more ambitious to elaborate the past development method as well as to introduce different types of tourism products. Alternative development system should emphasize the following aspects to overcome the drawbacks discussed above:

- Dispersed and low-density development,
- Linkage with neighboring tourism destinations,
- Involvement of local communities and industries,

-
- Federal government as a policy maker and coordinator while local governments and the private sector as development leaders.

b. Development and design guidelines

Introduction of development and design guidelines is an important measure to realize the alternative development for sustainability and better satisfaction of consumers' needs. Following areas in the selected tourism destinations urgently need development and design guidelines:

- East Cape in Baja California Sur,
- La Paz and its vicinity in Baja California Sur,
- Costalegre in Jalisco,
- The area along Banderas Bay in Nayarit,
- Cancun - Tulum Corridor in Quintana Roo, and
- Costa Maya in Quintana Roo

c. Zoning system of archaeological sites

INAH which is in charge of conservation and utilization of archeological sites, has already introduced a zoning system. The zoning system, however, tends to be situated, and regulations are often determined on negotiation basis. A new zoning system that is more universal as would be applicable to any archeological sites should be established based on a legal foundation. The following is an example of a new zoning system which classifies an archaeological site into three zones.

Zone A; The core area of an archaeological site which aims to preserve archaeological heritage.

Zone B; Surrounding area of Zone A should keep construction of facilities at the minimum level.

Zone C; Surrounding area of Zone B is a buffer zone between the archaeological site and local community. The area allows economic activities by local residents such as agriculture and tourism with the condition that they do not alter the land drastically.

(5) Revitalization of existing tourism centers

Over the past decades, tourism efforts have been directed toward the creation of new tourism centers and little efforts have been made to sustain existing tourism centers. However, as newly developed tourism destinations get older, measures to revitalize tourism destinations is increasingly becoming important because of the following reasons:

- Good conservation of old buildings or old districts in tourism destinations could be added values to newly expanded tourism areas,
- Well designed renovation of old buildings or old districts could revive declining tourism destinations,
- Good nature conservation in or near tourism destinations could not only attract tourists, but also gain appreciation of such efforts,
- Sustaining tourism destinations means obtaining long-term returns from investments, and
- Long-standing tourism destinations by efforts at sustaining their quality allow the tourism sector to conduct tourism promotion based on established names as international tourism destinations.

In order to encourage revitalization of aging tourism centers, it is necessary to combine the following three types of measures, namely:

- 1) Zone designation by city planning,
- 2) Financial incentive by soft loans, and
- 3) Financial incentive by tax exemption.

Town planning is necessary to designate zones for this purpose. The following four types of zones need to be designated by city planning:

- 1) Zone where old hotel buildings need renovation and old building districts need redevelopment
- 2) Zone which needs repair/renovation of historical buildings or improvement of townscape
- 3) Zone which needs provision of sidewalks, direction boards, vegetation, parks for tourism amenity improvement
- 4) Zone which needs development of tourism facilities

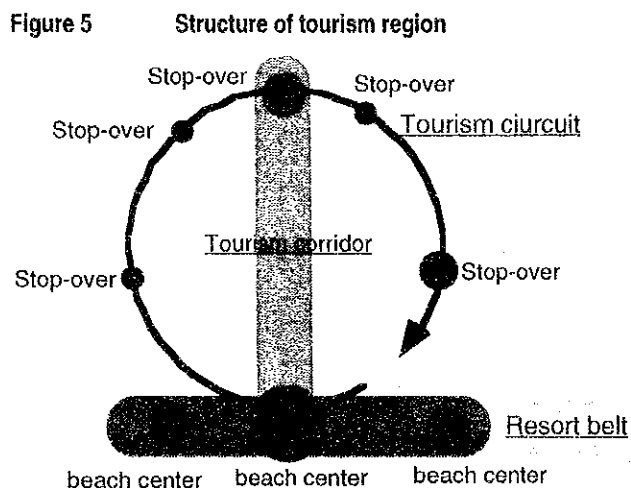
The above 1) and 4) zones would be revitalized through the arrangement of soft loans and tax exemption. 2) and 3) zones would be revitalized by the city government.

(6) Introduction of tourism circuits

a. Tourism circuit concept

JICA study team proposes to introduce a "tourism circuit" concept by amplifying the tourism corridor concept introduced in the Tourism Sector Development Program 1995-2000. Tourism circuits enhance the competitiveness of existing beach centers by combining them with inland tourism products as "added values." It also distributes tourism benefit to a wider area by luring out visitors to less known but potential tourism areas. The long-haul market finds tourism circuits more appealing, and therefore, would contribute to diversify tourism markets.

Tourism region is defined as an area that includes a set of a resort belt as the base for beach resort tourism and a touring circuit that could be the value added for the beach resort belt. The structure of a tourism region is illustrated as follows.



b. Hierarchical system of Mexican tourism

Tourism hierarchical system is set based on visitor's travel behaviors. There are four levels of tourism hierarchy as follows:

Level 1: beach center

Beach center corresponds to the area of a resort town.

Level-2: one-day trip area

One day trip area is the area where average people can make an easy one-day trip from a beach center. In general, radius of three hour distance from the beach center is its one-day trip area. It corresponds to the travel pattern of visitors who only stay in a beach center. This type of itinerary is common to visitors from the short-haul market.

Level-3: tourism corridor / tourism zone

If there is an attractive tourism site within six-hour distance, over-night trip to the tourism site is acceptable for most people. Tourism corridor assumes the travel pattern of visitors who combine a non-beach tourism site and a beach center. This type of itineraries would be preferred by visitors from short- and middle-haul markets.

Level-4: tourism circuit / tourism region

A tourism circuit generally takes a week to cover. Visitors from the long-haul market generally combine the circuit and a stay at a beach center.

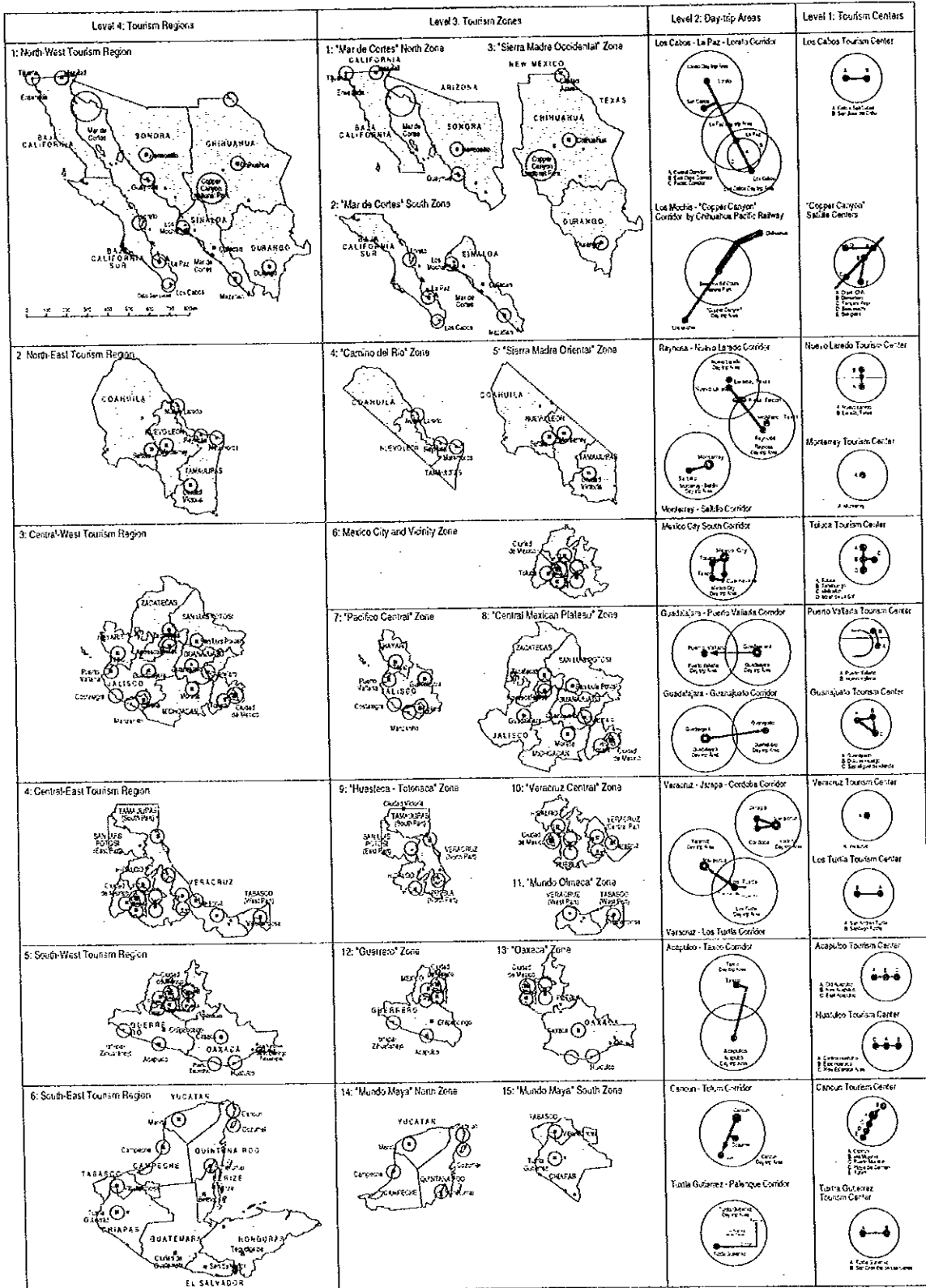
This means that the JICA study team proposed to divide into 6 tourism regions and 15 tourism zones as given in Table 5.

Table 5 Tourism regions and zones

Geographic division		Level-4; Tourism region	Level-3 Tourism zone
North/south	East/West		
North	West	1. North-West Tourism Region	1. "Mar de Cortes" North Zone 2. "Mar de Cortes" South Zone 3. "Sierra Madre Occidental" Zone
	East	2. North-East Tourism Region	4. "Caminos del Rio" Zone 5. "Sierra Madre Oriental" Zone
Central	West	3. Central-West Tourism Region	6. "Mexico City and Vicinity" Zone 7. "Pacífico Central" Zone 8. "Corazon de Mexico" Zone
	East	4. Central-East Tourism Region	9. "Huasteca - Totonaca" Zone 10. "Veracruz Central" Zone 11. "Mundo Olmeca" Zone
South	West	5. South-West Tourism Region	12. "Guerrero" Zone 13. "Oaxaca" Zone
	East	6. South-East Tourism Region	14. "Mundo Maya" North Zone 15. "Mundo Maya" South Zone

Source: JICA study team

Figure 6 Hierarchical system of Mexico tourism



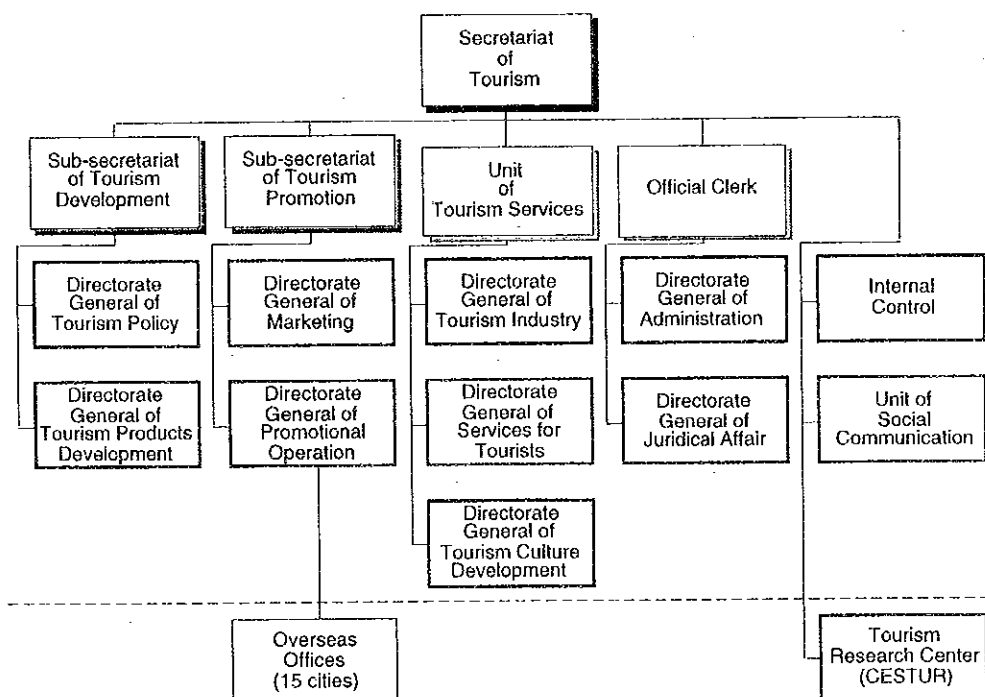
(7) Decentralization and multi-state tourism administration

Modernization Program of the Public Administration 1995-2000 proposes a review study of sizes and costs of administrative organizations and of relations between governmental organizations in the Mexican government. The program specifies the following two directions:

- to devolve power and resources of the federal government to state and municipal governments; and
- to restructure internal organizations of the federal government and to promote decentralization in specific areas.

Under the new minister in June 1996, SECTUR conducted restructuring of the internal organization and reduced the number of managers and staff as shown in Figure 7. The new organizational structure introduced a sub-secretariat in charge of tourism development which had been in charge of FONATUR. New organization structure also introduced a sub-secretariat which in charge of both international and domestic tourism promotions which have been conducted independently in the former organizational structure.

Figure 7 The latest restructured organization chart of SECTUR



Source: JICA study team

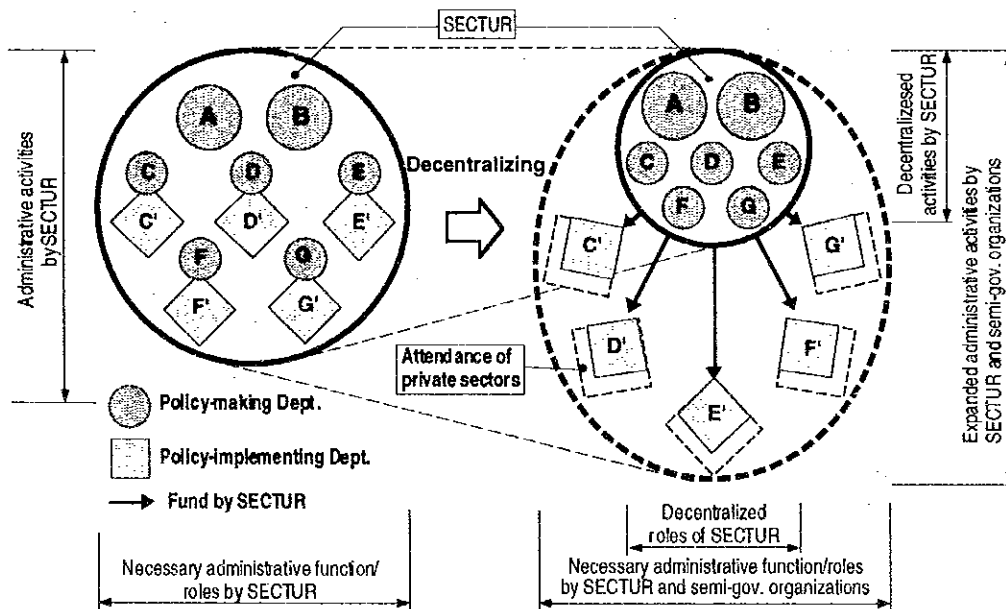
a. Decentralization of SECTUR

In response to the decentralization policy, the JICA study team proposes two directions for federal level tourism administration as follows:

- To make SECTUR concentrate on nationwide policy formulation, and
- To establish semi-governmental organizations that undertake the function of policy implementation.

Table 6 shows the concept of decentralization of SECTUR. Tasks to be transferred to the organizations would be functions such as statistics, marketing, tourism promotion, tourist information services, product development, research, and education/training.

Figure 8 Conceptual idea on further steps for decentralization of SECTUR



Source: JICA study team

SECTUR should reserve control and supervision of the semi-governmental organizations through technical guidance and budget allocation. Thus, SECTUR could maintain its influence on, and extend coverage of, tourism administration.

SECTUR already has a semi-government organization established in January, 1996; the "Consejo Mexicana de Promocion Turistica (CMPT)", which is the first example of the organization.

b. Restructuring at the local level

SECTUR closed its local offices in January 1995 and the roles of the offices were to be taken over by the tourism department of each state government. It has been causing confusion in state tourism administrations because of insufficient financial support and premature experiential knowledge on the part of the state tourism staff. Following measures would improve the tourism administration at the local level.

- Seminars on subsidies and funds available for local tourism administration ,
- Utilization of the lodging tax, and
- Involvement of a wider range of industries such as transportation companies, restaurants, and tourism-oriented facilities..

c. Formation of regional tourism administration areas

JICA study team has proposed to introduce tourism circuits, and tourism regions that correspond to the area of respective tourism circuits. It is necessary to establish and strengthen inter-state coordination among tourism destinations to introduce tourism circuits as each tourism circuit covers several states. In order to transform a tourism region into a single integrated competitive tourism destination, SECTUR should have the following responsibilities:

- to initiate establishment of an organization for inter-state coordination of tourism administration,
- to provide technical assistance for the organization in order to formulate joint plans for tourism development and promotion
- to coordinate between concerned state governments

-
- to coordinate between state governments and other related government agencies for inter-state tourism development and promotion
 - to coordinate between concerned Tourism Boards of each inter-state region

(8) Improvement of travel conditions

a. Tourism Information System

For the tourism administration, information is the foundation of forming appropriate tourism policies, and for the tourism sector it is indispensable for forming market strategies. Furthermore, it is important for the visitor himself to know about destination, touring routes, and cost. From these points of view, tourism information must be systematically and accurately collected and analyzed.

Statistics on international tourism

Statistics on airline and maritime passengers is compiled by information provided by the immigration bureau of the Secretariat of Internal Affairs. Statistics on overland international tourists were based on the data obtained through a random sampling survey conducted by Banco de Mexico. These data are not always consistent. The lack of statistics regarding country of origin of international visitors to Mexico is a notable weakness. The lack of statistics of international tourists entering overland, which account for approximately 60% of Mexico's international visitors, could result in an inaccurate economic evaluation of tourism.

Statistics on hotel guests and tourist facilities in each tourist area

The data of hotel guests and information of other tourism-related facilities are gathered and sent by each of the state from each hotel and the municipalities respectively after some coordination. However, the statistics are not consistent by state. The lack of accommodation statistics as well as other tourism facilities will set limitations on accurate target-setting for future tourism development.

Insufficient data of tourism facilities

There is practically no information gathered on condominiums, especially time-share condominiums which are used as hotels, playing a major role in accommodation in Mexican tourism. No convention information is available.

Institutional issues

Due to the fact that different departments of SECTUR are conducting surveys for their own purposes, data tend to be unorganized. It is necessary to establish an integrated, systematic, and effective program for surveying. It would include required informational items, method of surveying and filing, responsibility of each department, specialty, etc. In order to introduce satellite accounts, as recommended by the World Tourist Organization, more information is required.

Travel information

The following improvements made:

- Publications meet to market characteristics; In light of the need for diversification of the market, publications need to be edited to fit the characteristics of the target market.
- A system which efficiently intercepts individual visitor's feedback is to be established.
- Almost all of the travel publications on Mexico are centered on information tourism area, but there is very little in the way of information for travelers who wish to make their own travel plans.
- There are very few guide signs along roads, in tourist spots or facilities, and what few there are, are written in Spanish only. In order to deal with increased diversification of the market, signs in English are needed.

b. Tourist reception services

Tourist reception covers a wide range of services. Table 6 gives directions for improvement by respective fields.

Table 6 Outlines of current tourism reception services

Field of reception services	Directions for improvement
Information services for visitors	
The sense of arrival	Improvement of airport facilities and services Simplification of customs inspection
Information services	Improvement of the problems mentioned in Section 3.4.
Services at hotels	Improvement of the issues mentioned in Section 3.3.
Way side facilities	Improvement of wayside facilities including sign and symbols along the highways and other roads utilised by visitors
Security and safety in imagination	Much attention should be paid to Mexico City to improve the country's image as it is the most important gateway to Mexico and is the capital of Mexico as well.
Transportation services	Improvement of services in convenience, fare and comfortability Provision of information services; time tables, location of terminals, etc. on public transportation
Public spaces in the tourism centers	Attractiveness of urbanity in tourism centers to be provided in future development of tourism centers. Appropriate tourism related facilities should also be planned to give more attractions to visitors
Customer satisfaction survey	Implementation of customer satisfaction survey for improvement of the tourism reception services.
Visitor management system	
Overflow control system	Control measures to be established to prevent negative impacts of tourism development and visitors activities Necessary activities to be strictly made according to the legal framework; periodical monitoring, penalty for viorences
Conflicts with community and/or spoiling of community	To avoid conflict with community and/or spoiling of community, tourism development should keep certain distance from communities. Advises from anthropologists and other appropriate persons are required in developing tourism in the sensitive areas.

Source: JICA study team

(9) Enhancement of tourism capacitation and supports for tourism-related SMEs

a. Improvement of tourism service level and training of personnel

Generally, tourism services in Mexico have a lot of room for improvement. Further, the services are excessively streamlined for the North American market, and do not always suffice the needs of other markets which Mexico is to tackle in the future. Issues and measures to improve the services are as follows.

Poor attention of top management to improve service quality

The management of the tourist industry should pay attention to the importance of good service and should ingrain in middle management in a corporation a sense of leadership, train junior employees, and improve service. It is reported that the dissatisfaction of the visitors is not reaching the ears of the top management.

Introduction of airport survey

As a method to efficiently relay the feelings of the hotel guests regarding service to the management, it is suggested that a third party (e.g., state tourism bureau) be responsible for conducting regular airport surveys and report results through the state to the hotels.

Corporate education in the form of manuals, seminars

Referring to the opinions of tourists gathered through airport surveys, the state should compile a manual for more efficient workplace management and conduct thorough seminars.

Appropriate redistribution of profit

In order to secure a high level of service, a wage system based on ability and qualifications is indispensable. This can help break the pattern seen in Figure 4.1.

Lack of practical aspects in tourism education

There is little training in tourism education pertaining to what to do in actual daily situations; therefore many employees are not able to respond to such situations on the job. To remedy this, it is suggested that role-playing be included in an education program on confronting real situations.

Diversification of services

At present, tourism education is conducted chiefly aimed for the North American market. In order to meet the demands of new target markets, lecturers from those areas should be invited to talk on level of service, etiquette, etc. required by visitors from those countries in order to deepen understanding of those markets.

Lack of educational materials focusing on hospitality

Textbooks for tourism education should highlight the importance of services and hospitality.

Workplace management

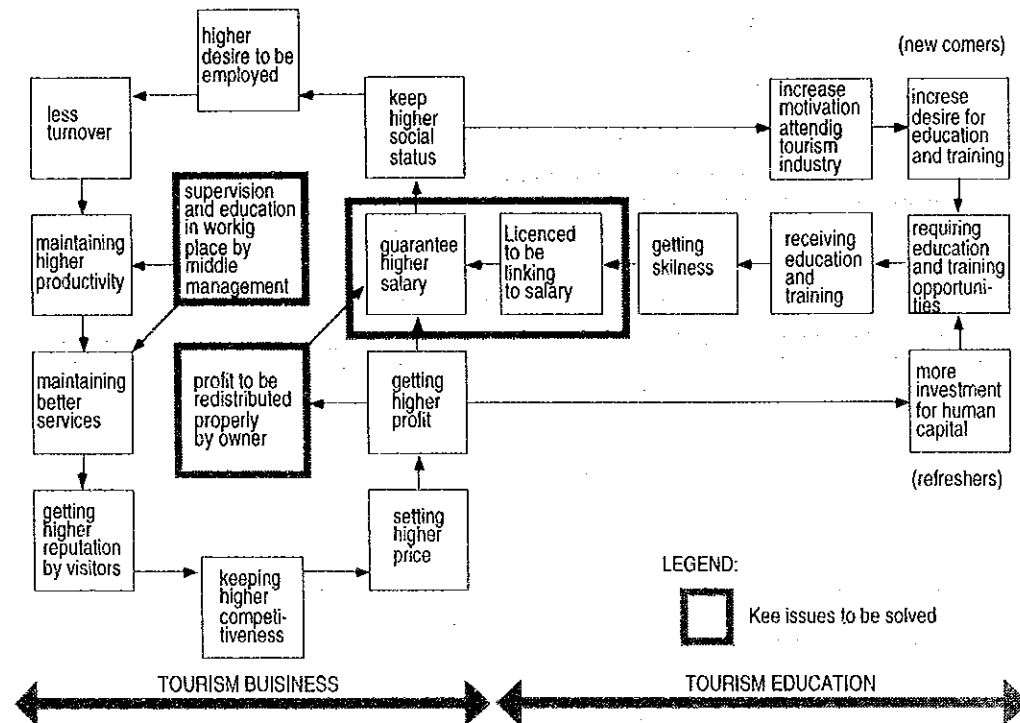
Workplace management and leadership should be taught to middle managers.

Institutional arrangement to encourage higher education

In order to increase employees' motivation to be educated, a system should be set up in which qualified trainees receive wages according to their training; likewise, a system in which qualified people are guaranteed employment, such as setting a minimum requirement of qualified personnel in tourism establishments. SECTUR and the Secretariat of Education should be involved in the setting up this system.

Figure 8 gives a diagram that indicates the cycle that would improve tourism services in Mexico

Figure 9 Cycle of services improvement



Source: JICA study team

b. Supporting measures for tourism SMEs

Following measures are essential to support tourism SMEs and promote local participation in tourism.

Financial support

Access to finance for working capital and/or business expansion is vital for the success and development of SMEs. FONATUR has a financing function but has not been very positive in financing tourism SMEs. In view of the important role of tourism SMEs, there is a strong need to establish a system to facilitate financing for enterprises owned and run by local people.

One is to establish a fund to support tourism SMEs at an appropriate organization, which would use the fund as collateral to the financing institution. Another is to establish a financing institution for tourism SMEs. The third way would be to promote SMEs to establish cooperatives and the cooperatives provide the security for member's loans.

Training support

There is a strong need in SMEs for training in advanced business and management techniques. Though SECTUR actively provide various programs for tourism education, it tends to focus on the capacitation of employees at large-scale hotels. More emphasis should be placed to nurture tourism entrepreneurship in rural areas.

Considering the roles of SMEs in tourism, the training should provide the know-how to operate ecotourism amenities such as small lodges, and facilitate activities such as home stays, and trekking.

Information support

SECTUR should provide tourism SMEs with information on market trends in the tourism sector and business opportunities. Such information could be distributed by sending newsletter and hosting seminars on tourism on a regular basis.

2.2.4. Tourism promotion plan

(1) Current situation of tourism promotion measures

Regarding tourism promotion activities, central level; SECTUR and regional level; state-government tourist bureau and Fondo Mixto are exercising their autonomy respectively. These are important in the sense that they display their own salient features, yet, on the other hand, because of the limited budget, it may not be so effective or efficient.

It is important to demarcate their fields of the tourism promotion activities. Although the JICA study team recommended the establishment of an organization for joint tourism promotion for each of the tourism regions, it will take some time for tourism promotion activities to be in full swing. It is therefore, proposed that the organization for the joint tourism promotion in the local level should concentrate on the mid- and short-haul markets, while the long-haul market should be covered by the central level for the time being. The organization would likely have more activities in the future, with more funds involving more private sector and sponsorships.

Tourism promotion publications of the local level do not maintain standard quality in some cases. Especially, city guide maps are of low quality, deteriorating the image of sightseeing spots. City guide maps are the very first thing that most tourists need, thus it is essential to improve their quality. Also, quality of promotional videos are not standard, either.

In this respect, in order to maintain the standard quality of tourism publications and thus, not deteriorate the image of Mexico and sightseeing spots, the JICA study team suggests that under SECTUR a certain body be set up to control and coordinate the production of tourism publications and to ensure their standard quality.

(2) Directions by regional market segment

a. Domestic market

SECTUR and related organizations should create and improve tourism environment that would enable a wider range of people to enjoy travel. Examples to achieve this are discounted airfare, promotion of school education tours, and cooperation with labor unions, among others.

Since the domestic market is the largest market segment, direct advertisement geared toward the general public should be made using the mass media: newspaper or magazine, and on TV and radio.

b. Paisano market

There are many clubs and organizations for Mexican residents in USA. They do not only generate the VFR (visit friends and relatives) visits but could influence their friends and business acquaintances to visit Mexico if approached properly by SECTUR, Fondos Mixtos, and local governments. A possibility would be a "bring home friends" campaign that let Mexican residents in the USA publicize their home country by giving them small incentives.

c. Southbound market (North America)

Since the market is the second largest market for the Mexican tourism sector, most of the advertising measures would therefore be applicable to the market. "Value for money" would be an important point to appeal to the market as Mexico has an advantage in geographical location from the market.

Convention and incentive tourism seems to be the most promising in the market compared with other regional market segments. Hence, promotion of convention and incentive tourism needs special emphasis on the regional market.

Independent travelers in the northern border region should be provided detailed travel information including road conditions, location of gas stations, auto camping sites, traffic rules in Mexico

d. Northbound market (Latin America)

Indirect approach to the market such as public relations activities and approach to the travel trade and the mass media would be suitable measures to stimulate the market. Cultural exchange programs would also be suitable to create an awareness of Mexico.

The procedure to obtain visa is complicated and the examination is difficult to pass. SECTUR should coordinate with concerned authorities to streamline the process, and provide the travel trade in the countries with sufficient information and assistance to clear the procedure.

e. Westbound market (Europe)

Like the case of the northbound market, public relations activities, approaches to the travel trade, special interest groups, and the mass media would be important. Providing sufficient information for special interest groups and conducting familiarization trips for journalists who contribute articles for special interest magazines are recommendable measures as there is a sizable volume of special-interest market.

One of the tough competitors for Mexico in the beach resort tourism is the Caribbean. Mexico therefore needs to stress its tourism resources such as archeological sites, indigenous cultures, spectacular land formation, foods and handicraft, which competitors lack.

f. Eastbound market (Asia & Pacific)

Since the market lacks in awareness of Mexico and its volume is relatively small, indirect approaches such as public relations activities, approaches to the travel trade, special interest groups, and the mass media would be suitable.

SECTUR should approach special-interest groups as there is a good number of people who are interested in diving, mountain climbing, fishing, music, archaeology, history, and nature and wildlife. International exchange programs like sister city program are also recommendable for the market.

2.2.5. Tourism development framework at the national level

(1) Forecast of the domestic tourism

a. Figures for domestic hotel arrivals

Multi- and single-regression analysis were employed to forecast the number of hotel arrivals of Mexican visitors; both domestic and outbound, using population, GDP, disposable income (based on GDP per person), and transportation costs as independent variables. After evaluating three cases, a forecast based on the growth rate of past GDP (Case-2) was adopted. Target number of hotel arrivals was set based on Case-2 as shown in Table 8. The target number of domestic hotel arrivals in 2010 is 48 million.

Table 7 Target number of domestic hotel arrivals

Cases	1995	2000	2005	2010	2002
Total hotel arrivals of Mexicans including outbound tourism (1,000)					
Case-1 (high growth rate)	38,291	77,153	107,150	140,198	87,985
Case-2 (mid. growth rate)	38,291	54,202	64,653	80,761	58,163
Case-3 low growth rate)	38,291	45,684	49,429	55,534	47,146
Target number	38,291	58,000	78,000	95,000	65,297
Growth against 1995	1.00	1.51	2.04	2.48	1.71
Total domestic hotel arrivals (,000)					
Case-1 (high growth rate)	34,588	60,724	82,898	106,129	68,734
Case-2 (mid. growth rate)	34,588	41,679	48,862	60,064	44,424
Case-3 low growth rate)	34,588	34,626	36,876	40,426	35,455
Target number	34,588	44,000	55,000	70,000	48,108
Growth against 1995	1.00	1.27	1.59	2.02	1.39

Source: JICA study team

b. Target of international visitor arrivals

Target number of international visitor arrivals was set based on the past trend. Four cases were tentatively calculated as shown in Table 9. These four cases were evaluated taking into account the shares of Mexico in the world tourism market in 2010, which is calculated from World Tourism Organization's forecast. The target number of international visitor arrivals in 2010 was set to be 36 million based on Case-2.

Table 8 Target number of international visitor arrivals

Cases	1995	2000	2005	2010	2002
Number of international tourists to Mexico (x 1,000)					
Case-1 (high growth rate)	20,162	26,942	33,747	39,098	29,482
Case-2 (mid. growth rate)	20,162	23,051	26,597	30,814	24,386
Case-3 (low growth rate)	20,162	21,036	23,169	26,843	21,865
Case-4 (multi-regression)	20,162	21,217	27,142	34,989	23,397
Target number	20,162	25,000	30,000	36,000	26,891
Increase against 1995	1.00	1.24	1.49	1.79	1.33

Source: JICA study team

(2) Hotel rooms requirement

The requirement of hotel rooms was calculated on the target number of visitor arrivals. Table 10 shows the total number of hotel rooms requirement in 2010. Hotel room requirement in 2010 is 490,000 rooms, which is 1.7 times as much as that in 1995.

Table 9 Required numbers of star class hotel rooms in 2000, 2005 and 2010

Description	1995	2000	2005	2010	2010/1995
Bed-night					
Domestic					
(1) Hotel arrivals (x1,000)	30,810	40,000	51,000	66,000	2.14
(2) Bed nights (x1,000)	58,539	76,000	96,900	125,000	2.14
International					
(3) Hotel arrivals (x1,000)	9,211	12,372	15,750	20,541	2.23
General tourists	8,592	11,625	14,861	19,493	2.27
Border tourists	619	747	888	1,048	1.71
(4) Bed nights (x1,000)	30,055	40,529	51,711	67,635	2.25
General tourists	29,126	39,409	50,379	66,081	2.27
Border tourists	928	1,120	1,332	1,572	1.69
Domestic and International					
(5) Bed nights (x1,000)	88,594	116,529	148,611	192,635	2.17
(6) Guest persons per room	1.80	1.80	1.80	1.80	1.00
Hotel					
(7) Occupancy Rate (%)	47.1	50.7	54.9	59.9	1.27
(8) Hotel Rooms (rooms)	289,874	350,000	410,000	490,000	1.69
High class (5 stars and over)	75,530	89,159	104,159	124,159	1.64
Middle class (3 and 4 stars)	128,122	160,911	196,911	244,911	1.91
Low class (1 and 2 stars)	96,222	99,930	108,930	120,930	1.62
(9) Annual increment of hotel rooms (rooms)		12,133	12,000	16,000	

Source: JICA Study Team

(3) Hotel employees requirement

Target figures for number of employees (only in the hotel sector) are shown in Table 11. 588,000 hotel employees, which is 1.7 times as much as at present, will be needed in 2010.

Table 10 Requirement of hotel employees

description	1995	2000	2002	2005	2010
Required Hotel Rooms (rooms)	289,874	350,000	374,000	410,000	490,00
Employee per room (persons/room)	1.2	1.4	1.5	1.4	1.2
Required employees (persons)	347,800	490,000	561,000	574,000	588,00
Average Annual increment (persons/year)		28,400	35,500	4,300	2,800

Source : JICA Study Team

2.2.6. Environmental and social considerations**(1) Natural and urban environment****a. Tourism development and urban expansion**

Tourism development requires manpower to support the tourism industry; this, in turn, attracts population seeking employment opportunities. This interaction induces urbanization. Local governments' efforts at providing necessary urban services in tourist destinations have not caught up with the speed of urbanization.

Sewage problems in some tourism destinations became or are becoming so serious that they deteriorate the quality and images of tourism destinations. It is necessary to tackle urban problems, particularly sewage problems, in order to sustain the quality and images of tourism destinations.

b. Ecological ordinances

There is an increasing preference for forms of development that are more balanced with natural environment, for example, lower density of hotel rooms and tourism facilities. In order to achieve such tourism development, a system of regulating development, called "ecological ordinance," have been introduced to 15 areas. Among them, the following are included in the study areas:

- Municipality of Los Cabos, B.C.S. state
- Los Cabos Corridor, B.C.S. state
- Bahia de Banderas, Nayarit state
- Huatulco Bay, Oaxaca state
- Corredor Cancun-Tulum, Q.Roo state
- Nichupte Lagoon, Q.Roo state
- Costalegre, Jalisco

However, how to enforce the ecological ordinances is the most important part.

c. Natural reserve areas

More than 80 areas have been designated as natural reserve in Mexico. However, those natural reserve areas have received little actual activities for environmental management. In recent years, governments are eager to attract private investments in ecotourism business within natural reserve areas. However, in this situation, it is the government agencies, not the public sector, that should lead in nature conservation activities for ecotourism areas.

d. Archeological sites protection

At present INAH encourages private investors to consult with INAH in project design and implementation near archeological sites. However, INAH cannot legally intervene in activities outside it's archeological sites.

In principle, environmental impact assessment (EIA) could play certain roles in appraisal of such development projects near important archeological sites. Therefore, INAH should cooperate with INE to review EIA reports of such projects. Furthermore, governments should establish a system of legally supported procedures to assess and guide development activities outside archeological sites.

e. Conservation and wise use of remaining natural environment

In the last two decades, most of Mexican tourism destinations have lost large part of their natural environment. Beaches are surrounded by hotels and condominiums. At the same time, global environmental issues have also pointed out the deterioration in local conditions. These factors have made local people become aware of precious values of remaining natural elements, such as deteriorated lagoon, estuary and mangrove.

It is important not only to conserve such remaining natural elements, but also to wisely utilize them for tourism and citizens' recreational purposes.

(2) Social considerations

While tourism brings employment and income, boosting of morale, and sometimes stimulates local people's re-evaluation of their own traditions, it would have the following negative impacts.

- Price hike of commodity and land due to increased demand, which impoverish those who do not receive benefit from tourism,
- Rapid social change and disorder in community caused by influx of income,
- Enlarged economic gap between the rich and the poor,
- Cultural deterioration caused by the contact with foreign civilization
- Moral corruption influenced by lifestyle of tourists.

To cope with the problems, following measures should be taken.

- Introduction of zoning system to separate and protect local community from tourism areas,
- Support for tourism SMEs to encourage local people's participation in tourism businesses as employers rather than employees,
- Introduction of alternative tourism that adopt "selective" marketing methods that only attract visitors who are adaptable to local norms and traditions,
- Development of theme parks that show traditional cultures and village life to the mass market,
- Conduct of Environmental Impact Assessment which encompasses not only the assessment of impacts on natural environment but also on social environment.

In case of large-scale tourism development, residential areas with sufficient infrastructure and utility services for employees in the tourism sector should be secured at an early stage of tourism development.