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INTRODUCTION

In the last decade, the world has gone through deep changes in its economic, political, social and cultural connections between nations and societies.

One of the main effects of this evolution has been the rapid and sustained growth of the world economy along with a positive outlook that the world's wealth shall continue to increase by over 3% yearly.

The fact that tourism has been affected by socio-demographic, labor and technology changes, which have taken place in the developed countries, has led to the arousal of new travel patterns.

Forecasts show that tourism will be the fastest growing economic activity among services, according to the WTO, and that tourist arrival shall grow up to a 4.3%, and income from tourist activities by 6.7% in the next two decades.

These ongoing changes show a favorable perspective for Mexico, due to the fact that it has major attractions which are in much demand by the new shape tourism is taking, dominated by trends such as greater contact with local cultures, nature and active vacations that offer a unique experience.

Mexico is the only Latin American country included in the group of the first ten destination countries in the world with great international appreciation and even higher potential.

However, the results that have been reached in the country's tourism development, especially during the last decade, allow us to conclude that in order to take advantage of the business opportunities that are turning up in the new tendencies of world tourism, it

will be necessary to make important efforts in order to update the prevailing outline of tourism concerning the offer, transportation, creation of new genuine and diversified attractions, the development of an urban image in tourist centers and in promoting and marketing.

In order to confront the growing competition that conveys the emerging of new destinations in the world, higher quality and efficiency standards are required in services, along with a large innovative capacity so as to take full advantage of the technology changes that take place in transportation, use of internet webs, new marketing and commercializing forms, the developing of new products as well as a determined participation of all parts involved in tourism.

In the same manner a mind shift towards the understanding that diversification is essential must be favored: it is unthinkable to believe that Mexican tourism can keep its growth pace if a relevant space is not granted in the effort of doing tourism; and the expression “doing tourism” implies both the consumer’s point of view that yearns for a different and diversified tourism and also the entrepreneur’s overall view, who, while finding a different way of doing tourism, can also come up with new sources of expanding his activities.

Planning the development of new tourism outlines, in such a magnitude that will comprehend the whole the national territory, is essential for the conversion of Mexico into a tourism-oriented country.

The purpose of this dissertation is to reveal the need of modifying the actual operating patterns of the Mexican tourism model. Even though what has been done in the last decades must be duly appraised, in the same measure, some of the past goals have lost their application in the present context, while other actions, including some of those which support the actual tourism model, deserve to be reinforced and in some cases even be considered to become priority lines in the near future.

Also, the most outstanding results reported by tourism activity will be presented in the present thesis, confirming its relevance concerning national development, and the critical aspects which limit its growth, through a retrospective analysis involving the main variations during the last decade. In the same manner, tourism development of one of Latin America's most farsighted countries shall be put in perspective: Costa Rica.

Finally, two possible quality scenarios will be developed, each one of which would respond to one of both of the possible tourism models Mexico could take up in the future. These settings will represent two both antagonistic and excluding hypotheses.

In this way, priority steps will be set up for this new millennium, through which an effort should be made in order to build the basis that will allow Mexico to advance in developing a world class tourism.

CHAPTER 1

LATIN AMERICAN TOURISM: Costa Rica in Perspective.

Tourism development has almost always been linked to those economic development models that have been implemented within the course of its history. These models constitute a collection of policies that determine, at a given time, the direction of those activities to be performed, which normally are used as examples. These models' advantage is that they may copy something already experimented by others. The disadvantage is that they may also fall in the repeating of past mistakes and they may also limit native creativity.

Modern tourism has its main roots in the XIXth century and, above all, in the great European industrial development, mainly luxury hotels and its impact on Western Europe.

Naturally, in America the very first tourism development models looked towards Europe. For instance, in the United States, the first two major tourism developed Miami and Atlantic City, are a copy of the Mediterranean Blue Coast.

Costa Rica was also influenced by this European trend, when the first hotel industry developments sprung, some of which do not exist anymore, but were comprised within this model. One of the oldest hotels was called “El Frances” and the other “El Europa”, whose names clearly express the European influence of their creators.

Nevertheless, the application of this European model in Costa Rica was not an exact copy and it had an innovation with its own peculiar native elements. First of all, there was a very pragmatic point of view concerning of what could be visited in Costa Rica. That is, the building of a hotel was not enough, a certain appeal had to be enhanced wisely. Those who undertook this task realized that Costa Rica could not be an imitation of Miami, due to the fact that the beach cost development was non-existent. Therefore what could be shown was the beauty of the central valley mountains, the geographical surroundings, forests, mountains, coffee agriculture, which offered a simple charm for a certain segment in tourism, along with two volcanoes, the Irazu and the Poas, which were the two main attractions that contributed to adding Costa Rica to the tourist map.

The application of a development model is closely related to the real atmosphere in which this particular model will be applied. The first consideration is to check out the ecologic surroundings, atmosphere and geography; this is essential in determining the most suitable model to be applied. Another basic conditioning element of a very serious importance is transportation, from and towards the destinations. Costa Rica was an

extremely isolated country that started to join the rest of the world through the railway that united San Jose with both the Atlantic coast and the Pacific coast. The fact that this was the main gateway also determined the kind of tourism that the country was about to receive and also conditioned the first stage of this same tourism model.

In that same period the first steps regarding aviation were taken, from famous Lindberg's arrival in 1927 to the construction of a runway landing strip in Lindora, which allowed the arrival of small aircrafts. These planes came mainly from Panama, where a large American colony lived as well as people who worked in the Canal Zone. They went to Costa Rica looking for the exact opposite of the traditional sun and beach tourist. These tourists, overwhelmed by the oppressive heat of Panama went to San Jose searching for a bit of cold the nearby mountains offered. This was the first stage of tourism development, with a model from which some European traits of the time were taken, but basically Costa Rica's own native characteristics prevailed.

When WW II was over, towards 1945, Europe's economy had to be quickly rebuilt. Economist of the time, politicians, entrepreneurs and investors were pleasantly surprised when they realized that the activity that most rapidly generated economic recovery within war torn European countries was precisely tourism. In this manner, the hotel industry reconstruction along with the impulse to all tourism activity, assumed crucial importance in that moment for American and European investors.

This echoed throughout Latin America, where common thought said that if Europe was doing well, Costa Rica could do just as well. Another interesting element that also served as a model was the expanding of the American hotel chains. The post war allowed the American hotel industry, which up to that moment was exclusively limited to the American territory, to expand taking advantage of Europe's reconstruction process. The concepts of great international chains were developed, such as the Intercontinental, the Sheraton, the Hilton, among others. American Hotel chains came to be considered a synonymous of a successful tourist development. Most of them had their day of expansion in almost all Latin American countries.

Not only external models were entirely applied again, but also a native element came to be part of the process. In Costa Rica the hotel chains could not expand and this is because there was a strong belief that the installation of great hotel chains might crush the national hotel industry. There was a feeling that the country's tourist economy would not stand the blows of these economic monsters which would wind up squashing all the rest, and that it was necessary to proceed gradually.

During this period, the room per hotel ratio was around fifty, to sixty rooms in each unit and it did not seem reasonable to build two, to three hundred room hotels. In this way penetration attempts made by major hotel chains failed, this being the reason why the Costa Rican hotel industry kept on developing through small and medium sized hotels, which kept making progress step by step and are the basis of today's hotel industry.

In the following years other influences that affected tourism development appeared in Costa Rica amongst other countries in the region. In 1955 a development model entered in full force promoting two major guidelines: the first having a developmental focus which was valid in those bays in the whole of Latin America whose main inspiration was the CEPAL.

CEPAL's development model consisted of making a major effort in order to surpass the primary agriculture or mining goods producing stage in order to achieve industrialization. Therefore the model promoted the need of a fast and intensive development of industry, which evidently required large investing and strong state intervention. Governments assumed an expansionist role, by means of encouraging private entrepreneurs to invest. If they were not willing to, it really did not matter since the State would then proceed with the investment.

Therefore, CEPAL model was based on a sudden and large shift, on the industrial role, and also characterized by the State playing a heavy role in its economic policy and investment. As a result, the State's external debt was enlarged, and since this effort required non-available economic resources, taxes went up.

The application of this model during the first years was successful, and indeed Latin American economies did record a great leap forward, but by the mid seventies it began to show dramatic signs of exhaustion.

CEPAL model was also applied in the hotel industry later on, the cause being that tourism was not considered a proper industry, and therefore the model could not be applied. It was not until the late sixties that tourism began to be considered a service industry eligible for the model's application. All this added to the diagnosis of international experts of the time, who started to identify that one of the areas that could generate rapid economic growth and, above all, produce currency, was the Tourism Industry.

Therefore the model was applied under the same guidelines: strong investments on the states behalf regarding tourism infrastructure and hotel equipment. It was not necessary that entrepreneurs build the hotels, the state would build them and then grant a license to a privately owned company or manage it itself. The product of this effort was an important rebound in tourist development in Latin America due to the widened extent of tourism demand and improved infrastructure. This effort was aimed at achieving a rapid expansion in hotel demand.

The second guideline was that of the Central American scope. As of the year of 1955 the other main variable that influenced Costa Rica's development was its integration into Central America. At that time and place, the Central American common market had reached a fully mature stage, and it was only natural to think that the development of any of these nations was only feasible within the context of the region's development. It was even considered to be as viable as the European Common Market, only on a smaller scale. The

dynamics of the whole Central American integration process rested on very feeble roots, the first moves were barely being made. This process took place within a pro development and restricted market protectionist scheme, in such a way that after a few years, working with the concept of developing both the economy and industry based on its integration, we found out that the Central American common market represented a meager 10 million consumer market which proved to be inadequate to generate a strong industry with sufficient growth potential. This process failed in the beginning due to a structural reason and it deteriorated even further with the political, military and economic situation that began in 1977-1978 with the enormous worsening of the region, sending all intents down hill.

Pertaining Tourism, it also followed the Central American outline, the tourist that visited Costa Rica was a tourist with a very well determined profile, a tourist who visited capital cities, who followed the same traditional plan of visits to Europe. These tourists visited Central America, not only Costa Rica. San Jose was the third or fourth city in their visit to Central America. They were usually elderly, retired and most of them Florida residents.

This kind of tourism vanished, as the Central American crisis got deeper. This was dramatic because of the pro development policy followed, tourist demand had been on the rise and the market fell right then. Brand new hotels or half built had to face the fact that they could not keep on going, that their room occupation was only 30% per cent and that tariffs kept dropping more and more, the problem lay in over supply and market loss.

This situation brought about a very interesting and at the same time a very Costa Rican process that turned out to be quite fertile, where the main contributors were the first tourism pros, with college degrees, entrepreneurs, and especially the National Chamber of Tourism, as well as government officials. This resulted in starting initial efforts for restructuring. One of the first consisted in the search of an image that would allow Costa Rica to free itself from the rest of Central America. The main problem was that Costa Rica did not have an image neither as a country nor as a tourist destination. That image had to be built and this was the first priority.

The first attempt in the identification seeking process turned out to be a failure. Its purpose was to position Costa Rica as a Caribbean destination, taking advantage of its small coastline. This experience turned out to be a failure because Costa Rica is not a Caribbean destination in the traditional sense, even though it does have an attractive Caribbean sector, but different from the Caribbean islands.

Later on, a huge national debate was opened once again aiming to identify an image that Costa Rica could project on a worldwide level. It turned out to be quite a fertile process that almost lasted a year, where private investors, by means of the National Chamber of Tourism, having a preponderant leadership role, all this culminating in a document named the National Plan of Segmented Tourism.

After a deep analysis, it was concluded that if something were going to characterize Costa Rica, this would be an immense variety of resources within a small territory. It also had to its advantage political and social peace in order to also attend conventions and meetings and at least sixty different segmentation possibilities were identified. The reason this extended tourist marketing concept failed was simple: it was almost impossible to achieve identification through dispersion, although the possibilities were real.

The analysis ended in 1985 finally arriving to the concept named *soft nature*. Although Costa Rica had a great variety of attractions and possibilities, a common denominator was yet to be found in order to identify the whole concept. This element was “soft nature”, i.e. the enjoying in different types of degrees of a natural ambiance. This concept allowed to capture all kinds of segments, all the way from senior citizens to sports oriented young people, from people who just wanted to enjoy some leisure time to people who came with the purpose of observing a specific kind of flora and fauna. Thus, it could apply from extremely specialized segments to those that simply wish to calmly enjoy nature.

This was the definite element that allowed an International projection of Costa Rica with a clear identification image starting in 1984-1985. Private enterprise and government, all began working under this outline that turned out to be so successful that in 1987 room shortage problems began to arise. However, due to the growth in demand, it was not enough to have an image and a motivated supply caused by the economic hardships the country was going

through, which also affected the tourism sector, undermining the supply and the possibilities of expanding such supply.

As a result of this verification and the joint effort between the ruling tourism entity and private enterprise, this same year, 1985, law 6990 was enacted, inspired after the Mexican law, pertaining Local Tourism Industry's incentives. Its main differentiation was that it equally applied to all sorts of projects, despite the size of the company (small, medium or large enterprises). Through this concept both product diversification and the maintaining of democracy were sought after in this sector.

It was necessary to finish the process, look for a way to diversify the market and distribution network of the Costa Rican tourist product. Entrepreneurial groups started promoting Costa Rica in Europe and Canada, others aimed to the incentives market, congresses and meetings and so on. Since this was not enough, a mechanism that would allow the extending of this effort was searched for, and in this manner was how the tourism commercialization stock exchange, EXPOTUR came to be. If Costa Rica wanted to have a higher presence in those commercialization channels, the best possible way was to bring these same commercialization channels to the country, show them around, letting them sell the product. The result was excellent: from 15 wholesalers that sold the products in the past, nowadays it rose to about 200. None of these wholesalers, though, control the marketplace with more than a 5%.

And finally, there is consensus in Costa Rica that tourism development should follow the quality and profit course, and not be excluding. Tourist development must be profitable, but not by means of the arrival of mass tourism, as in the Mexican case, but by competing through the quality of a good product. In the ever more competitive current market place, this came up as an essential element. Quality and profitability mainly depend on the professionalism of the area, on the work of specialized tourism learning centers in preparing new human resources, on the maturity and specializing of entrepreneurs and professionals, which allows us to count on an increasingly professional tourism industry.

Within this context, the work of the State must change and is changing. The old pro-development and protectionist State that wanted to do and control everything, is giving way to a less executive State with more leadership, more of a private initiative promoter, more deregulated, that stimulates and gives incentives. In this way Costa Rica is updated with the modern models and tendencies of trade opening and economic liberty, which prevail at an international level nowadays.

CHAPTER 2

TOURISM IN MEXICO: A National Priority

Along the last decades, under the different economic policy frames that have been applied by the governments of the Mexican Republic, a special emphasis has been put on the export sector with the purpose of obtaining the necessary income in order to strengthen the national development.

Outstanding in this sector are the car industry and the different variations of the maquila, oil and tourism industries.

This last activity is particularly important because of its capacity of promoting economical growth, the generation of full employments and the regional development in more favorable and balanced conditions than other exporting activities.

Nowadays, it is a top priority that the development of economic activities include the whole of the country's regions so as to strengthen the internal market, promote small and medium sized enterprises and support the productive capacity of the inhabitants, above all of those who still do not participate in the benefits of a solid economy, the one with the highest potential.

Tourism supply unsurpassed opportunities in the attending of this priority, since it offers ideal conditions for the achieving of a sustained economic development, particularly in regions of the country where there is not a full potential for the promoting of other productive activities.

The main advantages of tourism are:

- It induces an integral regional development, both in the agriculture sector as well as in the small and medium sized industry, but above all, in the services area.
- It sets wide expectations for the creation of new family business and small and medium sized companies.
- It easily absorbs population into the labor market by providing new permanent jobs, which translate into family income levels far above to those in many other activities.
- It contributes to the integral development of the country, since it is a permanent source of income.
- It triggers the building and development of large and modern infrastructures within the communications and transportation areas, which contributes to their economic and financial feasibility.
- It promotes the de-concentration of the population towards regions with high tourism potential.

Main Results. ¹

Mexico is a country with important achievements through the use of its tourism resources and through building on its strengths: the strategic location related to the United States of America and its ability to retain a great percentage of its internal tourist market within its boundaries.

All this has allowed tourism to contribute in a very important way to the developing of the country, due to its dynamism and capacity to impulse growth in other activities of the primary sector, industry and services, as well as being one of the main generators of formal employment, and a trigger for regional development, as shown in the following results:

Regarding economic and social development

- It contributes with an 8.2% of the GNP, 35% over the primary sector's GNP. Five times that of mining and twice as much as that of the construction industry.
- It has a direct repercussion in other fields of the economy. In the composition of tourism's GNP, Hotel and Restaurants only represents a 35% of the total, while the other 65% is distributed among other sectors, the quota pertaining transportation being quite significant. ²

¹ Note: All data refers to 1999, except when any other year is indicated.

² Source: SECTUR-INEGI. "Satellite Account of Tourism in Mexico", 1998.

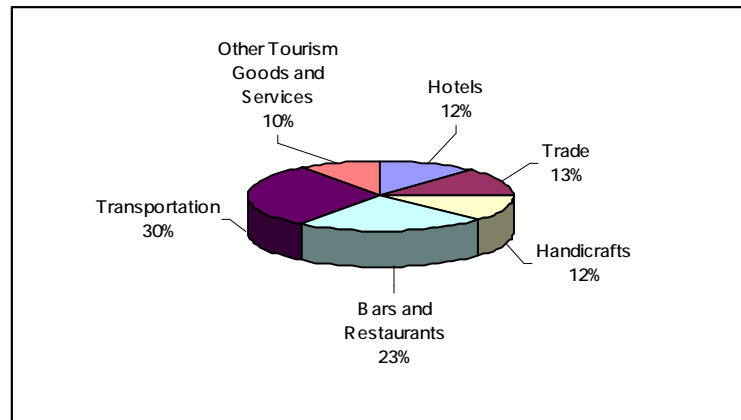
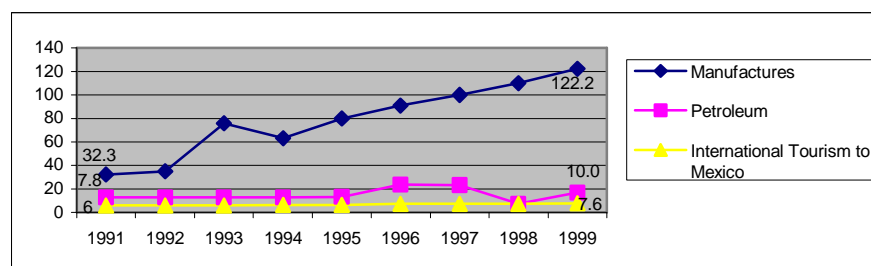


Figure 1: Composition of the Tourism's GNP

- Tourism's accumulated private investment is estimated in 30 thousand million dollars. Only in 1999, private investment reached 1,431 million dollars.
- In 1996 its contribution to taxable income rose to 3,500 million dollars, equivalent to a 12.4 % of the total gross tax contribution.
- It is Mexico's third income generator, with 7,600 million dollars, equivalent to a 50% of the current account's balance of payments' deficit, and twice the value of agricultural exportations.³

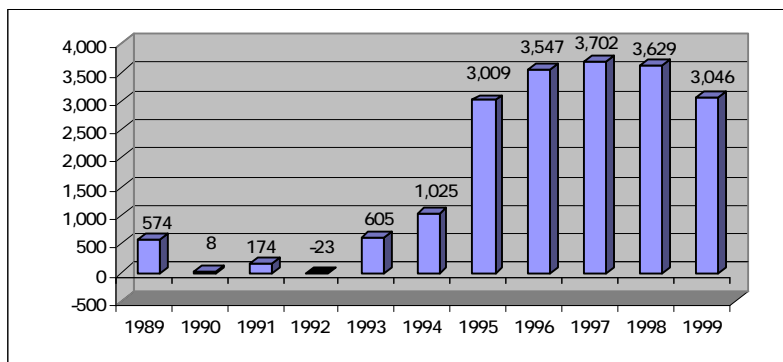


Source: National Account System, INEGI. 1999.

Figure 2: Income from Exportation

- It has maintained a positive tourist balance since 1993, over three thousand million dollars since 1995.

³ Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1999.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1999.

Figure 3: Tourism's Balance

- It generates 1.7 million direct jobs, 6% of the national total and 4.3 million indirect jobs. The remunerations per worker are higher by a 32% than the average national level, which translates in a better quality of life.
- It has allowed the rescue and conservation of the archeological and historic inheritance and also contributes to the strengthening of the national culture and identity.
- It has favored the conservation and sustainable exploiting of natural resources.
- It has become the main activity and population attraction factor in regions with a steep potential for the development of other activities, such as those of Quintana Roo, Baja California Sur, Guerrero, Nayarit and Colima, where tourism employment represents over a 10% of the total region's development.⁴ (See Appendix I)

⁴ Source: SECTUR-INEGI. "Satellite Account of Tourism in Mexico", 1998. and National Account System, INEGI, 1999.

Tourism's achievements⁵

- Mexico stands and remains among the first ten countries concerning the arrival of international visitors. Nowadays it occupies the eighth place, with 19.2 million tourists.

Table 1
Mexico's World Position regarding Tourists Arrivals

Place	1996		1997		1998		1999	
	Country	Tourists (000)	Country	Tourists (000)	Country	Tourists (000)	Country	Tourists (000)
1	France	62,406	France	66,800	France	70,000	France	71,400
2	U.S.A	46,325	U.S.A	48,977	Spain	47,749	Spain	51,958
3	Spain	40,541	Spain	43,403	U.S.A	46,395	U.S.A	46,986
4	Italy	32,853	Italy	34,087	Italy	34,829	Italy	35,839
5	U. Kingdom	25,293	U. Kingdom	26,052	U. Kingdom	25,700	China	27,047
6	China	22,765	China	23,770	China	25,073	U. Kingdom	25,740
7	Mexico	21,405	Poland	19,560	Mexico	19,810	Canada	19,556
8	Hungary	20,647	Mexico	19,351	Canada	18,825	Mexico	19,236
9	Poland	19,410	Canada	17,566	Poland	18,820	Poland	17,940
10	Austria	17,285	Check. Rep.	17,400	Austria	17,352	Austria	17,830

- Ranking eleventh in the world concerning tourism income received, with 7,600 million dollars, showing an important recovery compared to 1996 and 1997 when it was positioned in the sixteenth place.

⁵ Source: SECTUR, . "Statistical Compendium of Tourism in Mexico", 1999.

Table 2

Mexico's World Position regarding Tourism Income Receipts

Place	1996		1997		1998		1999	
	Country	Dollars (000,000)	Country	Dollars (000,000)	Country	Dollars (000,000)	Country	Dollars (000,000)
1	U.S.A	69,908	U.S.A	75,056	U.S.A	71,116	U.S.A	73,000
2	Italy	30,018	Italy	30,000	Italy	30,427	Spain_1/	25,179
3	France	28,357	France	27,947	France	29,700	France_1/	24,657
4	Spain	27,648	Spain	26,720	Spain	29,585	Italy	31,000
5	U. Kingdom	19,296	U. Kingdom	19,875	U. Kingdom	21,233	U. Kingdom	20,972
6	Germany	17,567	Germany	18,898	Germany	15,859	Germany_2/	9,570
7	Austria	13,990	Austria	12,393	China	12,600	China	14,099
8	Hong Kong	10,836	China	12,074	Austria	11,560	Australia	11,259
9	China	10,200	Australia	9,324	Canada	9,133	Canada	10,282
10	Switzerland	8,891	Hong Kong	9,242	Turkey	8,300	Russia	7,771
11	Canada	8,868	Switzerland	9,015	Switzerland	8,208	Mexico	7,586
12	Australia	8,727	Poland	9,000	Poland	8,000		
13	Thailand	8,664	Canada	8,825	Mexico	7,897		
14	Poland	8,400	Thailand	8,700				
15	Singapore	7,961	Singapore	7,993				
16	Mexico	6,934	Mexico	7,593				

Source: World Tourism Organisation, 2000.

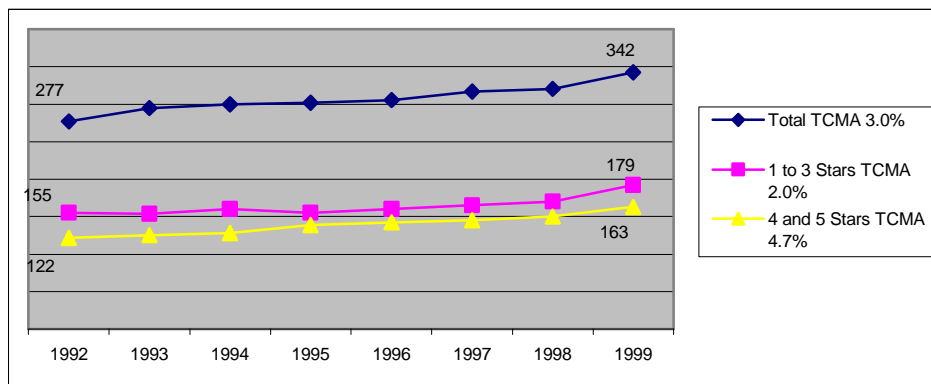
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- It has created five integrally planned centers, which attract a 14% of international tourism; a 65% of all foreign visitors that arrive to beach destinies; the 42% of all tourism income and a 12% of the four star or higher quality lodging offer.
- It is recognized as one of the most important beach destinations in the world, due to its climate, extended beach lines and superior quality of its tourist infrastructure.
- Receiving three million cruise passengers, figure equivalent to a 50% of American tourists who choose to spend this type of holidays.⁶
- Its domestic tourism made an average of 150 million trips per year generating a 78% of tourism consumption.⁷

⁶ Source: Intermodal Magazine, December 1999. "Cruise Tourism Future".

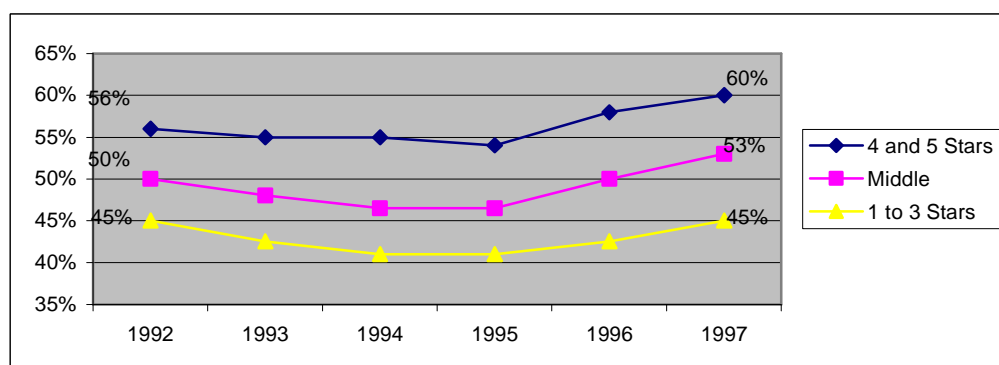
⁷ Source: SECTUR. "Home Inquiry, 1997". SECTUR-INEGI. "Satellite Account of Tourism in Mexico", 1998.

- 16.2 million tourists use air transportation, i.e. almost a 50% of national and foreign airline users in the national territory.⁸
- 60 million visitors are hosted in different types of lodging, 70% of them being national tourists and 30% foreign tourists.
- It is the second country, after the United States, in lodging supply of the American Continent, with 342 thousand tourist category hotel rooms.
- Its hotel infrastructure has a high quality degree. Nearly half of all recorded rooms belong to the four-star level or above, having a high growth rate and increasing occupation levels.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.

Figure 4: Mexican Tourism Supply



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.

Figure 5: Occupation Percentage of the Tourism Supply

⁸ Source: Aeronautic Civil Direction. "The Mexican Aviation in Numbers 1991-1997", 1998.

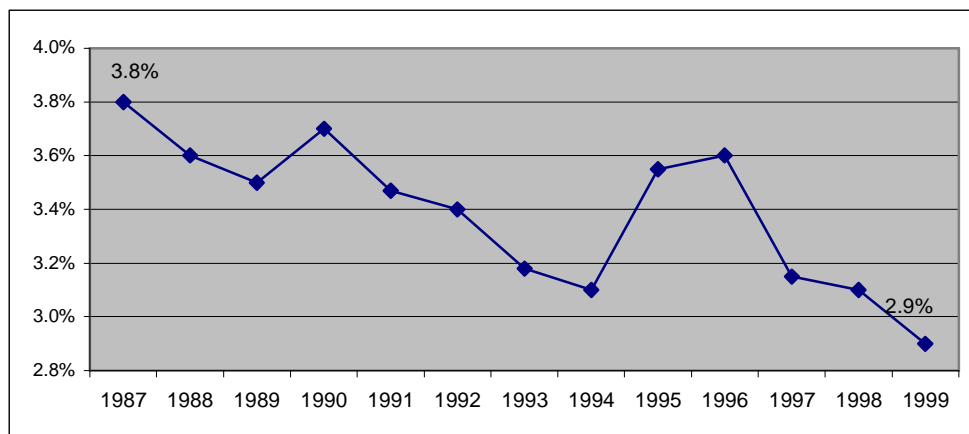
CHAPTER 3

CRITICAL ASPECTS OF TOURISM IN MEXICO

Despite its achievements, tourism industry in Mexico has not developed its full potential. Limitations are faced concerning eight critical aspects identified with basis in the checking and analysis of its main variables and indicators of tourism activity in the last decade and its likely causes, which have resulted in a decreased competitiveness which correction is a priority.

3.1 Loss of participation in the world market

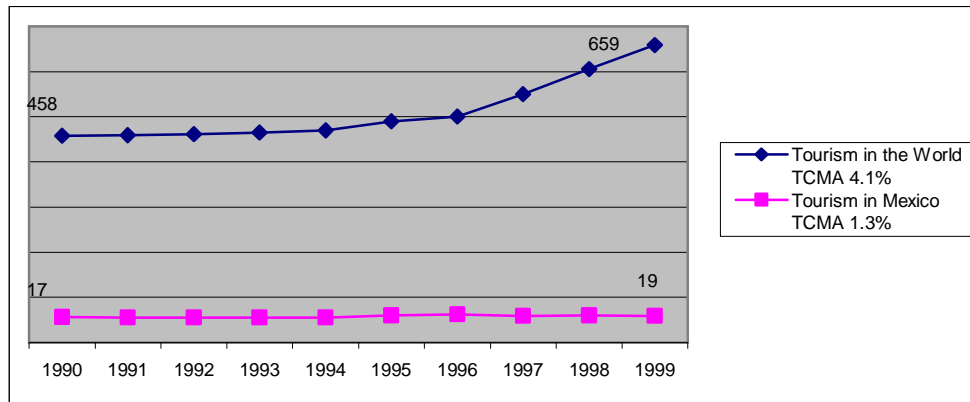
Mexico's participation in the capturing of international tourism on a world level diminished from a 3.8 % to a 2.8% in the last decade, while its growth rate was of a 1.3%, three times less than the world's tourism average.¹



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.
WTO, "Trends of Tourism Market", 1999.

¹ Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998, SECTUR "Basic Indicators of the Tourism in Mexico". 1999, WTO, "Trends of Tourism Market", 2000.

Figure 6: Trend of Mexico's Participation in World Tourism



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.
WTO, "Trends of Tourism Market", 1999.

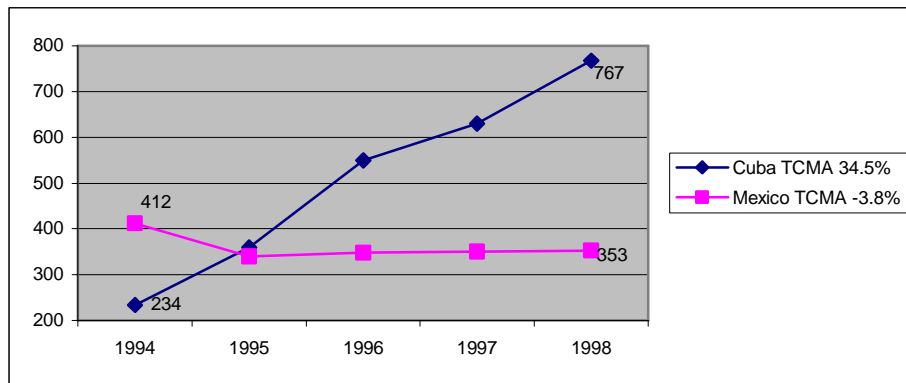
**Figure 7: Trend of International Tourism to Mexico
(Millions of Tourists)**

- The slow growth of the Mexican tourism industry is due to the lack of sufficient and adequate promotion in the American marketplace, and particularly of those in Europe, Latin America and Asia, where penetration has been minimal, situation, which reflexes the decreasing capturing of tourists that belong to these markets. While the competing Caribbean countries with significantly less resources have increased tourist affluence sharply.

3.5 million Europeans arrive to the Caribbean while in Mexico only 367 thousand. The United States receives over 4 million Asian tourists and Mexico only 67 thousand.

In the Cuban case, the affluence of European visitors tripled in a four-year span. It currently receives over twice as many than those that arrive to Mexico, due to its successful policy of investment attracting

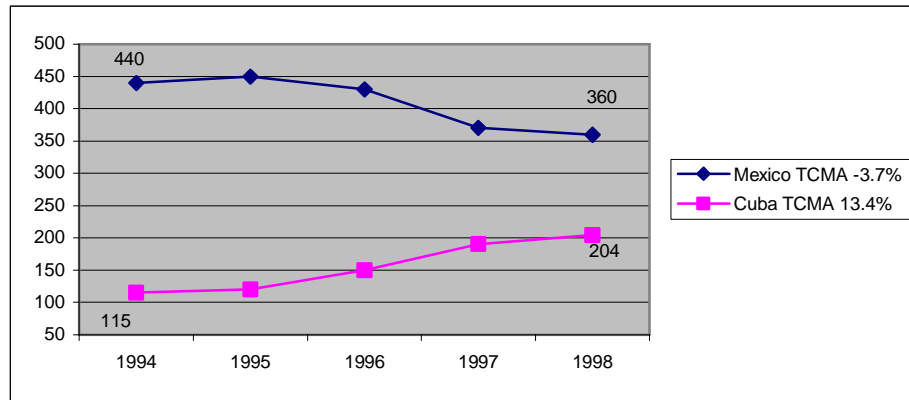
and aggressive promoting and commercialization; while in Mexico in the same span, the number of European visitors dropped in a 14%.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.
WTO, "Trends of Tourism Market", 1999.

**Figure 8: Affluence of European Visitors
(Thousands of Visitors)**

The same thing is happening with the Latin American market, which growth twice as much in Cuba in the same period and diminished an 18% in Mexico.



Source: SECTUR, "Statistical Compendium of Tourism in Mexico", 1998.
 WTO, "Trends of Tourism Market", 1999.

**Figure 9: Affluence of Latin-American Visitors
 (Thousands of Visitors)**

In consequence, while Mexico stresses its dependency from the American market, its Caribbean competitors have diversified.

In 1987, American tourism represented an 86% of all captured tourists by Mexico, by 1997; this percentage had gone up to a 91%.

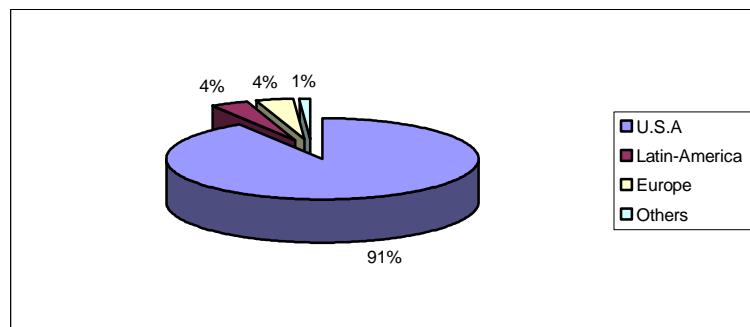
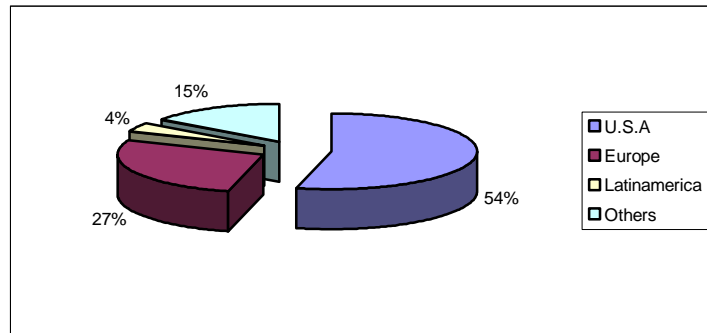


Figure 10: Markets of Origin to Mexico, 1997



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998, WTO, "Trends of Tourism Market", 1999.

Figure 11: Markets of Origin to the Caribbean, 1997

- International tourism's growth is concentrated on the sun and beach segments, neglecting the huge potential of new rapid growth segments, such as business, cruises, nautical, and golf segments.

Table 3

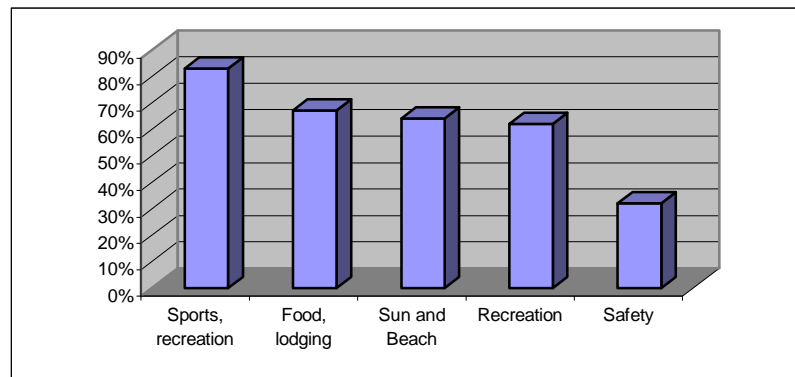
Rapid Growth Segments in the United States

	Business	Cruisers	Diving	Ecotourism	Adventure	Nautical	Golf
TCMA%	10.1	8.7	8.5	5	4	3.2	3.1

Sources: WTO. "Trends of the Tourism Market", 1999; CESTUR, Longwood International. "Mexico Tourism Research", 1998; National Golf Foundation.

- Another factors that influence the loss of participation are:
 - Lack of new internationally important attractions that would increase the interest to visit Mexico, such as the Grand Wheel or the London Dome, or the new museums in Paris.
 - Lack of Mexican tour-operators that would directly commercialize in the foreign markets. Foreign wholesale agencies operate up to 69% of the Mexican tourism markets.

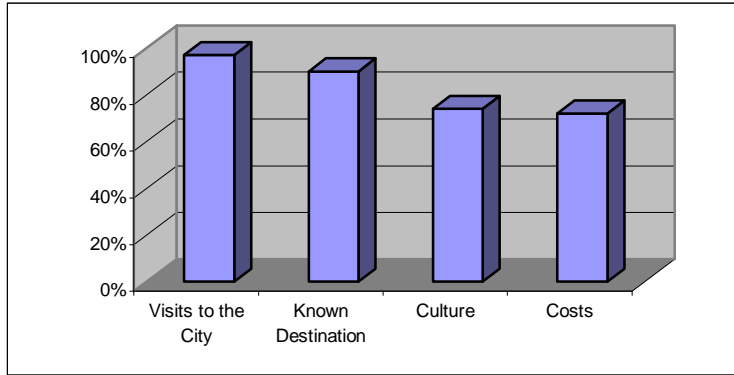
- Minimum satisfaction in the tourist experience during the trip due to:
 - Mexico's perception as an unsafe country.
 - A limited offer of activities that will complement and enhance their staying in these destinations.
 - Low quality in hotel and restaurant services.
 - Lack of information, highways in bad shape in some of the tourist circuits.



Source: CESTUR, Longwoods International. "Mexico Tourism Research", 1998.

Figure 12: Non-Satisfactory Aspects (Response Percentage)

The aspects that American tourists value the most on their trip to Mexico are: the intrinsic beauty of its cities, its popularity as a well-known destiny, its culture and low cost.

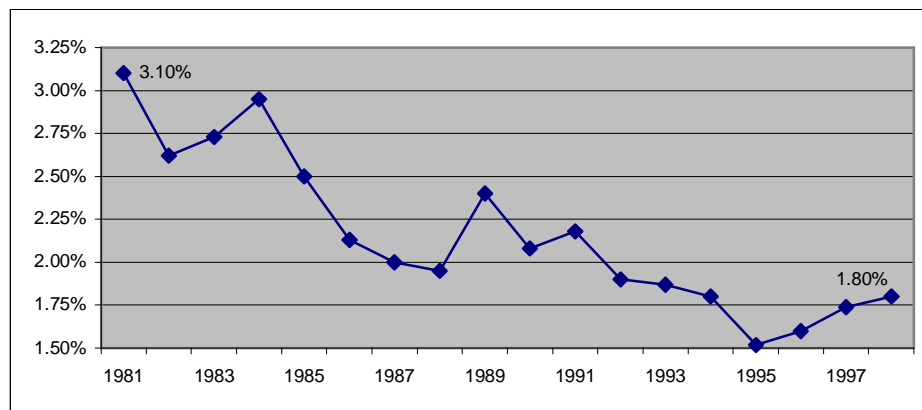


Source: CESTUR, Longwoods International. "Mexico Tourism Research", 1998.

Figure 13: Satisfactory Aspects (Response Percentage)

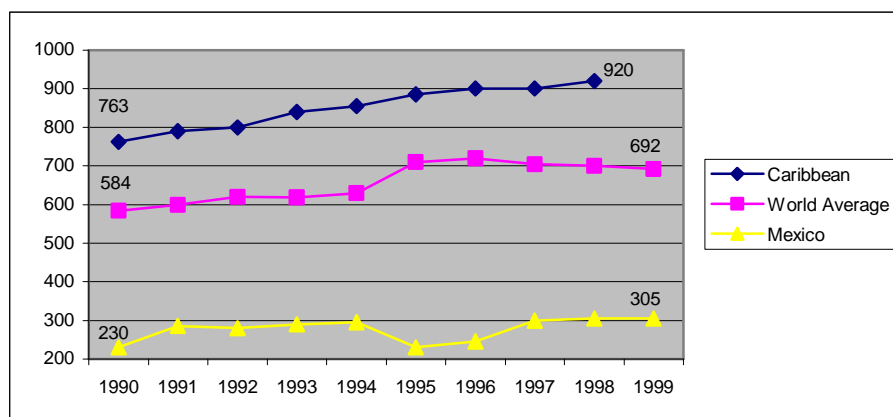
3.1 Low-cost tourism

International tourism expenditure in Mexico is 2.3 times lower than the world average and three times less than that of the Caribbean countries. This is translated as a reduction in the participation in world tourism income from a 3.1 % in 1981 to a 1.8% in 1999.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.

Figure 14: Participation in World Tourism Income



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.

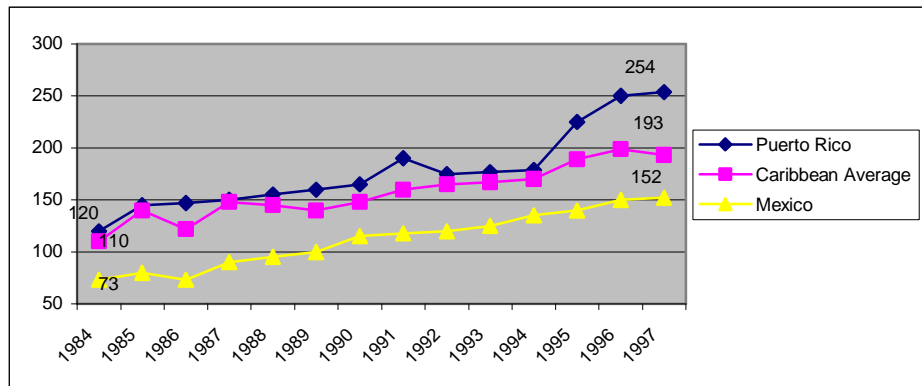
Figure 15: Evolution of Medium Expense per Trip (US Dollars)

The average expenditure of an international tourist, which includes the one that visits our borders and the one who goes into national territory, rates Mexico in the 51st place at a world wide level.¹

Points of influence:

- A considerable border tourism that stays for 1.5 days and has minimum expenses.
- The specializing in the sun and beach segment, with a short staying and low economic capacity.
- The low prices of services in Mexico. Hotel tariffs are on the average a 27% lower that those in the Caribbean, and there is an increasing tendency to "all inclusive" package using, which lowers expenditures outside the hotel.

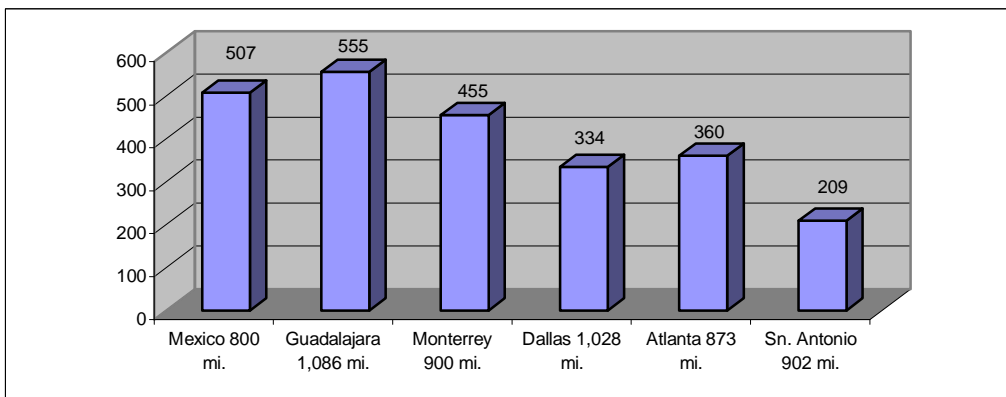
¹ Source: WTO, "Tourism Economic Report", 1998.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.
 WTO, "Trends of Tourism Market", 1999.

Figure 16: Hotel Tariffs during the Winter Period (US Dollars)

In the same way the low cost of the trips from abroad is also an influence, Mexico is a cheap country for foreign tourists and an expensive one for natives.



Source: Gran Plan april/june 2000, Multivacations, Travel Inc.
 Note: "mi" indicates distance in milles origin-destination

Figure 17: Prices of Packages to Cancun from a Variety of National Destinations and from Abroad (US Dollars)

3.3 Limited organization in tourist activities aimed to satisfy new market demands.

According to demands identified by the WTO the new tourist demands for trips that will include the possibility of visiting several destinies where he can find diversified and authentic attractions related with nature, culture, and the performing of multiple activities. Mexico counts with a great potential in this sense, but it is insufficiently exploited and weakly organized in order to offer integral products.

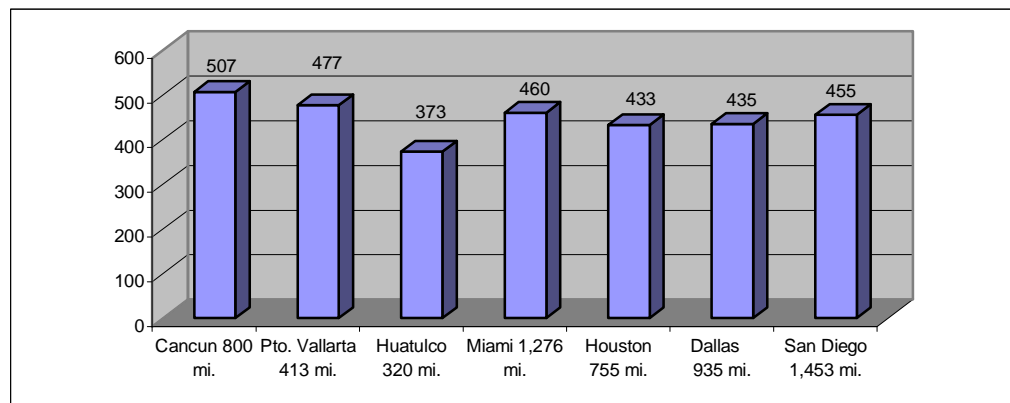
- The specializing of the tourism offer by segments is minimal. Neither attractions nor activities for adventure tourism, ecotourism, sports, health, business and conventions between others, have been developed.
- The inexistence of articulation and coordination among service renders and tour operators, in order to organize tourist circuits and perform complementary activities.
- Mexico is promoted and commercialized as a country of isolated destinies, basically beaches, Cancun-Mayan Riviera, Puerto Vallarta and los Cabos stand out, which have already achieved international positioning being this where foreign affluence concentrates. (See Appendix II)

3.4 Insufficient Attention to Domestic Tourism

National tourism constitutes the basis of Mexico's tourist activity, however, the following deficiencies were identified in its attending:

- Lack of offering of attractions and packages for the high-end population being this reason of why they look for other alternatives abroad due to the high prices of national destinies in comparison with foreign destinations.

Traveling to Cancun or Puerto Vallarta from Mexico City is even more expensive than visiting well-recognized destinations in the United States, located in equal or longer distances and with services of the same category.



Source: Gran Plan april/june 2000, Multivacations, Travel Inc.

Note: "mi" indicates distance in milles origin-destination

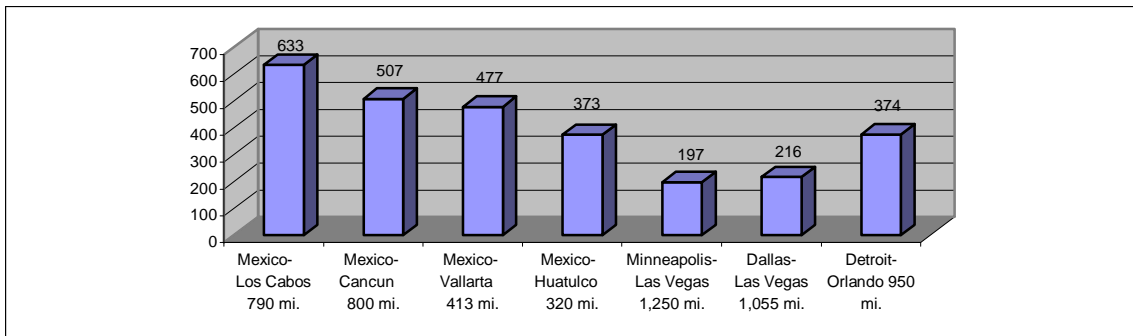
Figure 18: Cost of Tourist Packages Departing from Mexico City

(Airplane round trip / 3 nights stay on a double occupation basis / 5* cat.)

(US Dollars)

The above provokes high expenditure of national tourists abroad, which represented 4,600 million dollars in 1999.

- The national medium and low income market is totally unattended, both regarding the offer of popular tourist facilities as well as low cost packages that include transportation and decent lodging.
- The cost of air transportation discourages native tourists to visit the main tourist centers of the country.
- What a national tourist pays in order to visit his own country's tourism destinies is much higher that what an American tourist pays to visit his own tourist destinations, despite distances in Mexico are shorter.



Source: Gran Plan april/june 2000, Aeromexico.

Note: "mi" indicate distance in milles origin-destination

Figure 19: Comparison of local packages between Mexico and the USA

(Airplane round trip / 3 nights stay on a double occupation basis / 5* cat.)

(US Dollars)

- The high cost of air transportation, provokes native tourism to make trips to nearby destinations to his place of origin, for which reason he basically moves around the high plateau visiting relatives and friends and two beach tourist centers for vacationing: Acapulco and Veracruz, as well as cities in the central and northern part of the country for business trips. (See Appendix III)

3.5 Excessive regulation of the activity and absence of stimulant and encouraging measures.

This is one of the factors that discourage investment in the tourist industry, besides being an obstacle for its growth and diversification. Among other aspects, the following stand out:

- The high number of steps that are necessary to develop and operate a tourist project.

In order to build and operate a hotel up to 130 steps are necessary, and in case of a marina, as many as 20 steps must be taken in three different ministries and before local authorities.

- The provisions in environmental matter are highly restrictive. Its due complying, generally, excessively extends the authorization process affecting the project's feasibility.
- There are no tax deductions for investments such as an ad valorem tax exemption, decreasing VAT for tourism and zero

rate for certain segments, for instance those of groups and conventions.

- The tourism sector is one of high investment, long planning periods and maturing periods, but it lacks proper tax and credit conditions adequate to its characteristics, causing it to become affected by the tax of assets and high interest rates imposed by commercial banking institutions.

3.6 De-articulation between tourist service renders and air lines

The growth of tourism activity depends on, to a great degree, of efficient coverage and low cost air transportation, yet:

- The number of national and international flights to tourist centers is not enough.
- The tariffs of national airlines are very high and regional airline development is limited.
- Lack of synchronicity in connections and flight schedules to tourist centers causing discomfort and tourist time wasting.
- Poor quality in facilities and tourist info at the airports.
- Unorganized airport land transportation services caused by lack of regulation and surveillance.
- The main Mexican airlines frequently recur to ticket overselling and apply different tariffs to the same flight. In case of

purchasing tickets on the same day, price exceedingly increases
causing confusion, and annoyance to the tourist.

3.7 Sector's weakness in the promoting of integral development of the activity

Despite its strategic importance regarding national development, tourism is conducted by policies established from outside the sector, without having any influence or interfering in the making of the decisions that affect it, nor in programs that most of the time lack continuity.

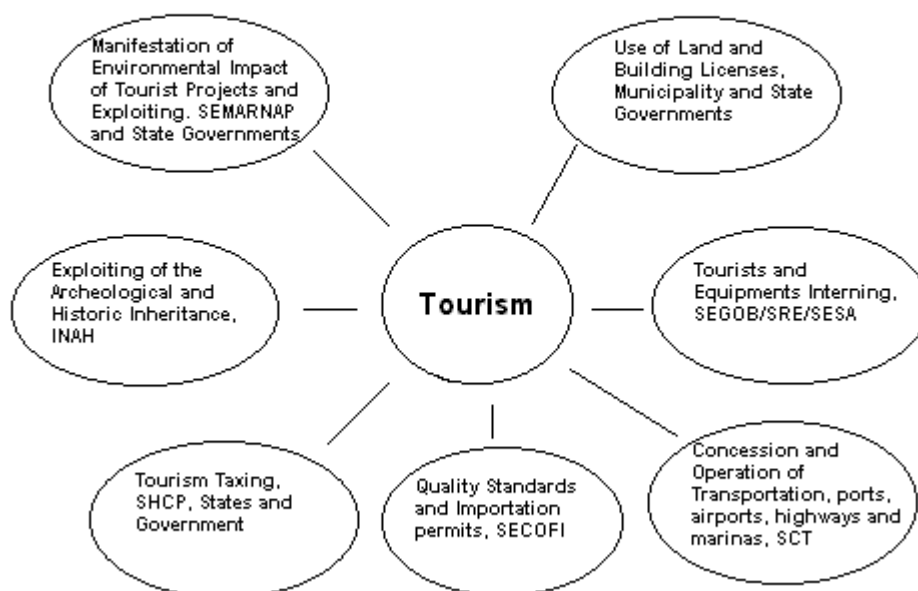
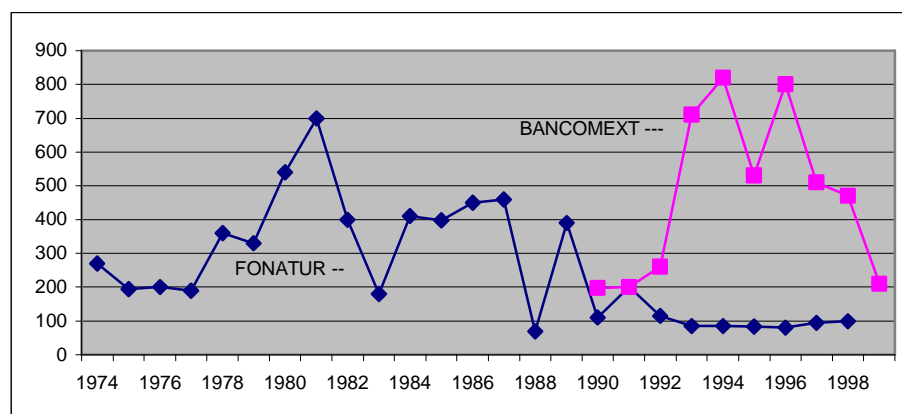


Figure 20 Public Administration Areas with incidence in Tourism

Among other things, the main causes of the sector's weakness are the following:

- Lack of a long term policy that should give continuity and convergence between institutional programs and commercial plans of the tourism industry.
- Inexistence of a tax policy and specific incentives, which recognizes tourism as an exporting sector, since it constitutes the third money generator.
- Lack of compulsoriness in the regulating of service and facilities quality.
- Insufficient participation of the sector in the planning and development of the transportation, which is a crucial factor on tourism.
- Diminishing of the financial capacity of FONATUR for the investment in tourism infrastructure and the granting of credit for new projects.



Source: SECTUR. "Statistical Compendium of Tourism in Mexico", 1998.

**Figure 21: Financing Capacity
(Millions of US Dollars)**

- Lack of coordination mechanisms and sources of resources to achieve integral development in successful tourism centers, which translates in disorder, urban and tourist image deterioration.

The response capacity is insufficient for:

- Planning urban tourism growth.
 - Solving Infrastructure needs.
 - Attending basic social needs.
 - Assuring quality adequate maintaining and operating of public services.
- Tourism investment projects do not have a healthy balance and co-responsibility with the urban growth they generate.

3.8 Deep contrasts in the entrepreneurial development and disconnection of the tourist industry

Unbalances in the entrepreneurial development are an obstacle in achieving higher tourism competitiveness in the country, due to lack of integration among tourism enterprises and with other related sectors which causes the following factors:

- The existence of a modern sector with an important international component in its operating, mainly oriented to lodging and with access to opportunities generated by public policies, whose benefits in a great deal are translated to their countries of origin.
- On the other hand, there is a traditional sector integrated by a universe of small and medium national entrepreneurs, where we find besides the hotel keepers, other tourist service renders, with a limited administration and entrepreneurial development capacity. For these, opportunities are limited.
- Integration between these sectors is minimum, which deters the offering of integrated products that include transportation, lodging, activities and synergy generation that would be of a mutual benefit, situation that sharpens outside the main tourist poles.
- On the same way, there is a scarce articulating with other productive sectors at a regional level, which contributes to guarantee the timely provision of the supplies and selling of the products as well of the obtaining of better pricing conditions.
- Among the factors which limit opportunities for small and medium sized tourism entrepreneurs, we find:
 - Lack of access to training, due to fact that it is mainly oriented towards higher quality hotel and restaurant employees, not attending other activities of the sector and small and medium sized enterprise.

- Lagging in the use of informatics technology, which leaves them out of the reservation promoting and information global systems, as well as of a modern entrepreneurial administration.
- Limited opportunities of access to financing

CHAPTER 4

ANALYZING TOURISM EVOLUTION IN MEXICO: Past and present.

Tourism in Mexico has gone a long way, but it is basically since WW II that an intensive growth phase began; this also corresponds to tourism's opening phase towards activity at a world level. In the last fifteen years we have witnessed vast changes within tourism activities, in such way that under the present situation, the country finds itself in a decisive timely position of making decisions that would propitiate a reinforcing of the activities in Mexico, with measures agreeable to international tourism and the major prospective trends regarding the activity.

4.1 Tourism with far away origins

The developing of tourist activities in Mexico traces its origins back to the great scientific and exploratory voyages undertaken by Europeans and Americans of the XVIII century. However, it wasn't until this present century that it began to consolidate itself as an activity capable of supporting the country's development. In this way, in post-revolutionary Mexico positive imagery tourism was quickly established regarding tourism, laying down the

measures assigned to sustain this activity as of the twenties of the present century.

The existence of promoting measures, within a legal framework in order to welcome the tourist in the country, as well as the intention of promoting tourism activities at an international level, are all signs of an early consciousness of the irreplaceable value of tourism as a relevant Mexican development model.

4.2 The consolidation of mass tourism.

Only after the strengthening of the Mexican State and its main ruling Institutions, which happened around the thirties, could a new framework pertaining tourism, be thought of. Also, the first important tourist stream to the country was witnessed, when the American Government started to consider, during WW II, that Mexico as a country, and particularly Acapulco, offered adequate and peaceful rest for its citizens.

In this way, at the same time developed nations start their own tourism development process after WWII, Mexico also experiences an unprecedented growth in its tourist flow influx, in such a way that a lasting and stable tourism development pattern was structured, equivalent to mass tourism that was already being established in the European a American context of the time.

Tourism development in the country had two epicenters, Veracruz in the Gulf of Mexico and Acapulco in the Pacific. Veracruz represented the sea-port tradition, its crossbreeding and deep Mexican roots, which attracted important numbers belonging the middle class in process of consolidation, Acapulco was built on a double standard: on one side as the destination of the new Mexican upper class, and on the other it constituted a sample of Mexican modernization which sought to offer the medium income population a well-being equivalent to the one offered in developed countries, with its representation, in the case of tourism, in the access to modern hotels, with air conditioning, elevators, swimming pools, but also fast food restaurants that started to quickly proliferate, and in general terms, international level shops and services.

Indeed, the success of the importation substitution economic policy favored, during the fifties, a substantial advance concerning the life conditions of the Mexican population, and in particular it favored the consolidation of the important middle class, which improved its material wealth and could aspire, thank to the progressive character of Mexican labor laws, to paid vacations. This population began to build an imagery of well being in which access to vacations constituted an important step towards "happiness"; the Mexican middle classes thus formed a vast tourism market, which was complemented with the booming American tourism.

The expansion of the American market followed the same trend as the European; in this manner, the search of sun and sea constituted the main trend in tourism immediately after WW II.

4.2.1. The bets on international beach tourism

In Mexico, sustained growth of sun and beach tourism happened after the fifties, can be understood as the application of successful international concepts within the framework of the Mexican development model. In this way, we can safely say Mexico didn't do anything else but to insert itself in a already generalized expansion trend of mass tourism centered in the development of beach destinations.

The model that was installed in Mexico is at the same time the extension in Mexican territory of the prevailing international model, as well as the including of the Mexican population in said model.

Within this context, it can be understood that the tourism entrepreneurs and the Mexican officers in the matter considered that this model should be extended and perfected since it corresponded well to the needs and priorities shown by the international trends, in fact in Mexico early actions were taken aiming to strengthen said model, one of them being the creation of the National Tourism Council in 1961. The impulse of forming trained personnel in order to face the increasing demand of jobs (like the creation of the Mexican Tourism School for instance), and the creation of financial institutions so as to support the creation of infrastructure and new tourism enterprises (Fogatur

and Infratur¹ in 1956) and finally, the defining of the first National Tourism Plan in 1962.

These actions drove towards the progressive and increasing intervening of the Mexican Government in tourism, as an answer, to its great impulse and substantial growth rates. For the Mexican State it was more than evident that tourism constituted an important factor as the promoting instrument of the social and economic integration of the country.

By the mid sixties, Mexican tourism had substantially consolidated having Acapulco as its growth access with a somewhat more limited activity in Veracruz and other smaller beach destinies of the Republic.

We need to mention that what is nowadays called “urban” tourism was also significant, like Mexico City as well as other colonial centers (i.e. Oaxaca and Guanajuato) and tourist visits to archeological centers and historic cities.

From the entrepreneurial and economic point of view, by 1965 tourism constituted an important source of the stemming of new enterprises of all sizes (micro, small, medium and large) a significant path for the generating of non-manufacturing employment, and was also recognized for its multiplying and growth effects in other economic branches.

From the international point of view the development of tourist activities had a high influence to consolidate a favorable image of the country because of the development of tourism in itself and by the consolidation of Acapulco as an

¹ Fogatur or Tourism Guarantee Fund, and Infratur, Fund for the Development of Tourism Infrastructures. Also in 1949 the National tourism Commission had been created and the first Tourism Federal Law had been enacted (Jimenez, 1992: 47)

international image brand, as well as by the position adopted by the Mexican Government of recognizing tourism as a peace and understanding factor among countries.

4.2.2 The widening of State participation in tourism: some points

As of the mid sixties and in compliance with the different guidelines of the National Tourism Plan of 1962, the Mexican Government started out with a more participating policy regarding tourism. The motivations of this increasing participation may be summarized in the following terms:

- The development of tourism required large investments and diverse supporting, like promoting activities.
- Acapulco's growth was not enough nor adequate to attend the increasing demand of trips to Mexico and it was obvious that this location already showed certain signs of overburden, like those resulting from the increasing lack of infrastructure for this development, both urban and roads.
- The context of international institutions, like the Interamerican Development Bank and the World Bank, was favorable to broader intervening of the national states so as to favor international tourism's growth. These institutions showed to be willing to backup these new developments through preferential credits.

In this way, the Mexican Government started to take measures regarding the diversification of tourist destinations for the creating of

new tourist complexes like the island of Cancun where one could forecast the great extend of the possible development of the Mexican Caribbean, whose natural characteristics broadly corresponded with the expectations of international tourism in matter of the natural quality of the site.

4.2.3 Actions of the Mexican government between 1964 and 1986

During almost twenty years, the Mexican government took very relevant supporting measures for the consolidation of mass tourism, which even now constitutes the most relevant component of the Mexican tourism model.

When we took about a tourism model for Mexico, we wish to emphasize that both the policies as well the natural expansion of tourism activities mainly betted on the consolidating of the mass component with beach and sun destinations as a priority.

During the almost twenty years that frame the stage of intense participation on behalf of the Mexican government in tourism development the following central actions can be identified, which should be considered as the most

important to grade the model or tourism development pattern followed, and later on to show certain deficiencies that led to its checking.

- The Mexican government undertook the development of new centers or tourist destination among which Cancun stands up due to the importance it shall acquire within the national tourism scope; as well as Ixtapa, los Cabos, Loreto and Huatulco destinations that characterize this phase of the Mexican policy regarding the promotion of mass tourism along beach sites.
- In order to back up its actions the government resourced to international financing, particularly that of the IDB, and that of the World Bank, channeling these resources to the building of a basic urban and tourism infrastructure (airports, highways, and power supply networks among other), credit for the hotel industry and the building of certain facilities for attracting investments and demand, such as golf clubs, convention centers, typical markets, etc.
- Institutionally, government actions were concentrated in the hands of the financial sector. Particularly, the actions intended to the constructions of new destination were assigned to the Fondo Nacional de Fomento al Turismo (Fonatur), which was instituted in 1974, and assumed the function of creating infrastructure and hotel industry credit.
- A strong position was also assigned to tourism activities with the creation in 1975 of the Tourism Ministry to be in charge of the branch, and consequently, with the assignment of specific federal resources to attend tourism activities, particularly regarding international promoting.

4.2.4 Pros and limits of the developed tourism model, 1986 balance

Herein below is an identification of the benefits and limitations of diverse analysis realms, such as the economical dimension, its regional effects and its environmental implications:

- From the perspective of the propping-up of the Mexican economy, it is undeniable that tourism has played a central role for diverse economic variables.

If it is true that until recently the lack of a Tourism Satellite Account has prevented the access of a precise image of tourism's attractiveness concerning growth of the GNP the current approach from the Satellite Account shows that tourism participates with an 8.2% of the national gross added value, and with a 6.5% of the total offer of goods and services (Cestur, 2000: 7-10). It may safely said that tourism has not been a central branch such as manufacturing, although it makes a relevant contribution to the services sector, making almost a 69% of the total offer of the sector. Besides it has played an important role in the diversifying of the Mexican economy. It is also necessary to point out that the tourism sector has been a strong activity inductor in other sectors, thanks to the demand of goods and services it generates. The above explains of why tourism integrates a set of activities that, on its turn, inducts the growth of other economic activities. As observed by Cestur's report: "The offer of handicrafts represents almost a 17% of the total of all goods and services demanded by the tourists, which is

28% higher than the offer of lodging services, and is equivalent to 2.5 times the offer generated by the total sum of air transportation services in the country (Cestur, 2000: 8).

Regarding employment, recent official estimates have reported that employment directly linked to tourism activities reached 1.675 million jobs in 1997 and 4.177 million indirect jobs in other activities that benefited with the development of tourism activities (the multiplying factor is of 2.5, according to official estimates), corresponding to a 26.3% of the total national employment.

The most quoted subject as the main virtue of the performance of the sector is currency capturing. For the Mexican government this subject is so important that it became a key objective of the tourism policy, where it was funded the justification of the undertaken efforts.

Another factor to be considered is that of the growth of the public and private investments throughout the referred period. Private investment has had a very favorable behavior that has not been duly measured but can be detected by its growing infrastructure in tourist attending, in the branches of hotel and other connected recreational services. Regarding public investment, a precise measuring is not also possible, but the high infrastructure investments are obvious, for example, that they represent considerable amounts, and by the way, have had strong impact in the foreign debts. Direct foreign investment has also had a favorable behavior with 564 million dollars in 1997.

- From the regional perspective, the promotion of new developments was based in the proposed polarized development theory. This theory, quite in fashion in Latin America during the seventies, stated that starting from the growth of a dynamic punctual economic activity, it was possible to converge with other induced activities. However, the experiences of regional development by means of growth poles did not give the expected results.

The main tourist states, Quintana Roo, Guerrero and Baja California Sur, states that participated in a substantial manner in the growth of tourism through planned centers or traditional destinations did not manage to diversify their economic activities, in such way that tourism remains the main activity.

With the creating of dependence on exclusively tourist activities, the mentioned states have become vulnerable to economic crisis situations caused by recessions in tourism matters. This has been a case observed when external events, (like the Gulf War) or internal ones (like natural disasters, and for instance the Gilberto Cyclone) have temporarily reduced the tourist stream towards one or some Mexican destinies.

On the other hand, it may be proven that the new tourism activities undertaken in backward areas of the national territory have not allowed

the productive integration of the native population, or have only done so in menial chores.

The former can be interpreted under two analysis aspects, the first one indicating the lack of integration of the native population and the scarce, or even null, initial development before the creation of the poles, has prevented the rapid constitution of a politic and entrepreneurial class capable of taking local development in its own hands; while the second one warns that the chosen development model by tourism authorities, that is a highly sophisticated development, both modern and technological, can hardly be appropriate for the native population, at least without a long learning process.

Another important factor is that tourism developments have not responded to the necessary diversification of activities, nor to the possibility of playing on the cultural and productive regional peculiarities, as differentiating and attraction factors of each development; in such way there is a deep similarity among all developments, mainly in the attraction offering, since in most cases these are basically sun and beach, shops, entertainment centers, golf clubs, and in this way, instead of appearing as differentiated centers and therefore complementary concerning tourist demand, their similarities have made them closely compete against each other.

Within the context of the discussion of competition between the centers, it is also necessary to underline that the emergence of new destinations seems to have contributed to the acceleration of the obsolescence of Acapulco, particularly considering that this development having started its activities decades before any of the other planned destinations, has found itself in a massification and devaluation phase of its product, following the logic of the existence of "life cycles" of the tourist destinations.

This observation also allow us to understand why growth in tourism demand was not landed in our country, as of the creation of new planned centers, and rather assisting to a re-display of the receptive tourist flow towards other regions (and towards Cancun in particular). This invites us to ask ourselves about the need of a tourism policy that could better redistribute the benefits of tourism amongst the different regions and destinations of the country.

The presence of modern activities susceptible of offering jobs to the native marginal population implied a large demographic growth due to migration essentially driven by the arrival of said population of the region of direct influence. Said population has extensively surpassed official forecasts and the real possibilities of the labor markets.

This process was exacerbated due to the low training level of the population which even, and frequently, do not even speak Spanish, leaving it totally excluded from the formal work force, and also to the

physical access to a place within the urban area designed to receive it, since it lacks the necessary economic conditions. In this way, marginal zones began to appear where poverty and the precarious life conditions became critical in front of the affluence in the tourist area of these same destinations.

This same situation has enhanced the cost of these new destinations without overriding marginality. On the contrary it has been necessary to recur to – even in the nineties – to the intervening of poverty relief programs, such as the National Solidarity Program, for marginal urban areas.

- On the other hand the environmental dimension of these new developments and of Acapulco itself was not properly evaluated, in such way that well into the eighties environmental damage generated by the coastline tourism developments was not taken into account. In this way those particularly fragile areas or zones of the coast suffered sensible impacts sometimes irremediable, such as the eutrication of coastal lagoons, pollution of bays, swamps and other bodies of water, deforesting, and the extinction of local flora and fauna, this without counting the excessive use of water and electric energy. An estimate performed in Cancun in 1984 proved that on average a five star hotel room used over 2000 liters of drinking water per day.²

² The former figure refers to the total amount of water used by the hotel divided by the total number of rooms, therefor including the liquid expenditure and the maintaining of pools and gardens, as well as other facilities, kitchen included. (Data from Fonatur's Urban and Regional General Planning Management, 1984)

- Moreover, a strong urban growth frequently located in fragile areas from an environmental point of view has contributed to the exacerbation of the environmental and sanitary problems, coming to detect cases of cholera in Cancun in 1984. The previous reinforces the idea that the lack of attention to the social issues in tourist developments has contributed to a severe deterioration of the environment, which besides has been a cause of a loss of competitiveness of Mexican tourist developments, specially in the Acapulco's case, where the environmental and social problems acquired dramatic characteristics in the seventies.

4.3 The new face of tourism developments in Mexico as of the eighties

1986 can be considered a turning point in the development pattern followed, being this the date in which the government realm promoted a Immediate Action Program for the Promotion of Tourism (PAIFT), in function of adverse or positive factors concerning tourism, derived from national and international context.

Regarding the first, we must consider the negative effects that the bank nationalization of 1982 and the 1985 earthquakes had on tourist flow to Mexico.

On the opposite, with the constant peso devaluation and Mexico's financial difficulties, which lead it to a deep adjustment of its economy, brought along favorable conditions. As a matter of fact these matters improved the peso's competitiveness and the Mexican tourist destinations in the eyes of the world. Moreover, the persistence of the Mexican economic crisis considerably reduced foreign traveling by the Mexicans, which had driven years before to a deficit in the tourist balance (higher expending from egression tourism than income from receptive tourism).

The positive growth of receptive tourism also translated into a new context or the potential insertion of Mexico in the frame of international tourism, that reinforced the interest in investing of national and foreign companies, which required a larger opening and softer conditions for investing in tourism.

The PAIFT was then established as an adjustment for the tourism model on behalf of the government for the potential investors, in this way beginning a sector opening which anticipated itself to the economic opening process of other sectors of the economy. This opening showed in numerous aspects, such as the deregulation of direct foreign investment, and greater flexibility in sky policies.

In this manner following the path of the maquila industry, tourism became a pillar of Mexico's economic reactivation that became more obvious as of 1988, with the then new government.

The investments and intervention modalities in Mexican tourism, as of 1986 had several effects which we will detail as follows:

- The forecasted decline in tourism activities stopped, and a sustained growth rate was kept pertaining foreign tourist arrival. The average annual growth rate between 1990 and 1999 has been of a 1.27%.
- Beach tourist destinations were diversified while observing increased investments in places like Puerto Vallarta, Guaymas and other ³. Also, throughout the last fifteen-year we have witnessed a growing interest in the demand for interior destinations, among which traditional locations with a historical and colonial attractions stand (Oaxaca, Zacatecas or Queretaro among others).

³ As of 1984, the private sector began to propose the building of nearly 40 smaller scale destinations; in fact they were medium size projects which at the time were known as "megaprojects".

- The variety of lodging choices expanded with the growing presence of time-sharing international, coming to grow over a 25% of the total offer in traditional resorts like Acapulco for example. Besides, the building of apartments and houses for tourist uses were reinforced, particularly in those segments aimed to sectors of high income Mexicans.
- It was also glimpsed the incipient appearance of new tourist modalities linked to sports in natural locations, to ecotourism and the visiting of non traditional locations, even though everything seems to indicate that these new segments of demand are still budding.
- Another important tourism segment, which is also relevant, is made up by the so-called business tourism, linked to two types of activities. On one hand the expanding of the conventions, events and other activities related with enterprises and professional and academic training and on the other hand, an important growth in demand of tourist services on behalf of foreign entrepreneurs who are arriving to Mexico in growing numbers, as a consequence of the opening of markets and the increasing internationalization and/or globalization of the Mexican economy.
- This sector is responsible for the growth of offer in cities with a poor tradition and low tourist potential – Monterrey for example – but that take advantage of the growth of tourism infrastructure and international

positioning to undertake a local tourism policy being able to placing itself as a competitive destination.

From the perspective of public intervention in tourism matters, the following situations have arisen:

- The reduction of State intervention has translated in slower rhythm of direct investments in the sector, particularly due to the abandoning of the new beach resort-creating program.
- The tourism sector is now aware of the need to diversify tourist destinations, which has translated into more support to those centers that do not fit in the category of planned beach resorts; in particular, this has been related to the proposal of special programs aimed to the promoting of an innovative offer, such as the World and the Tourism Program in colonial cities. However, these programs are still a minority in the context of today's tourism policies, since the promotion of the centers established in the seventies remains the main pattern, and the axis of tourist policies may it be the Sectur or the Fonatur.
- Another fundamental element of the nowadays tourism situation in Mexico and direct consequence of those actions made in the mid eighties is the increasing participation of charter flights in the total sum of tourist flow to Mexico. Current figures show that said flights represent a 9.2% of the total of passengers in Mexican airports in 1999 versus a 4% in 1990.

The former shows that the evolution of the tourism that arrives to Mexico is that of a tourist flow increasingly controlled by the major international wholesalers. These tend to define the destinations they promote in function of the global interests, which are not necessarily the most convenient for the receptor countries. In this way a large amount of the receptive to Mexico, nowadays, is ruled by the decisions made by a small number of global corporations, *tour operators*.

- As a possible partial result of this process, but also due to a fierce international competition and a substantial national surplus offer, a dropping rate of room occupation has been observed in the main tourist destination. In the Acapulco case, it has also been observed a radial reduction of its international tourism in absolute terms.
- Another substantial consequence is that the *per capita* expenditure of receptive tourism has also been reduced, which corresponds with the diminishing of the social economic level of the corresponding tourists. This is deeply contradictory with the points of the former tourism policy that intended to increase tourist capture with high investment luxury destinations, aimed to an international elite tourism. Current reality more than ever contradicts these goals and it shows the need of performing a new very realistic evaluation of the current tourist demand in Mexico.

It must be pointed out that the set of measures which have been made from years behind – many of them very innovative- have resulted decisive in many occasions as to orient a substantial reconfiguring of the Mexican tourism development pattern. We shall quote the following measures, considering them to be very relevant regarding said transformation:

- Within the frame of institutional development and modernization a new organic structure was established for the Tourism Ministry in an effort to increase the efficiency of the initiatives promoted by the institution. In order to enforce these goals a Tourist Cabinet and a Tourism Executive Commission were integrated, as instruments of a Inter-sector arrangement and as support on the instrumentation of tourism policies. This has turned out to be relevant for a very decentralized sector.
- Extensions and definitions of the federal Tourism Law were performed, standing out the including of subjects as the Sustainable Tourism and Ecotourism Development.
- Mexico's Tourism Promoting Council was created, constituted as a majority state participation company in the Tourism Ministry's sector (SECTUR). It is an instance that gathers the Federal government, State governments and private initiative, with the purpose of planning, designing and coordination – together with the SECTUR – the tourism promotion policy and programs within the national and international ambits in order to

position Mexico as a tourist destination, underlining the diversity of its offer and its delivery of quality services.

- It has been promoted the application of the newest information technologies in order to promote the development of Mexico's official tourism page in the Internet (mexico-travel.com).
- It was integrated Mexico's Tourism Satellite Account, a macroeconomic measurement instrument that eases the learning of the sector's impacts and strengthens the decision making process. International concepts and methodologies were applied for its elaboration (generated by the UN, WWO, OCDE, EUROSTAT, WB and IWF), with the participation national institutions such as the Tourism Ministry, the Bank of Mexico and the National Institute of Statistics, geography and Informatics.
- By mid 1999, the application of the Fee for the Interning of Non-Migrant was applied to foreigners that come into the country as tourists, business people and trans-migrants. This income shall be partially devoted to the promotion of Mexico's Tourism Promoting Council will perform, and to the modernizing of migratory services.
- The application of the Lodging Tax in different federal entities of the country began, generating resources locally administrated for tourism development and promotion.

- The sector is promoting the investment in tourism through specialized events like the Investment Pavilion and the Mexican Tourism Investment Stock, which stimulates and eases the gathering of offer and demand of tourism investment businesses and projects in Mexico.
- The national program of tourism competitiveness Mexico 2000 was elaborated and enforced, aimed to detect and hierarchies the priorities for the improving of the competitiveness of the national tourist destinations. Within this context the certification of the classifying of lodging establishments and information, is related in a close and indissoluble manner.

Moreover, there is a Mexican Official Standards system backed by a legal foundation, the Metrology and Standardizing Law, which establishes rules, specifications, attributes, guidelines, characteristics or prescriptions applicable to products, processes, facilities, systems, activities, services or production methods or operations. We must mention the standards that establish the minimum quality requirements in the service and installations that hotels, motels, time-sharing services and the like, must comply with in order to obtain tourist and commercial quality certifications of grand tourism, five stars, four stars, three stars, two stars and one star.

There are also the Mexican standards, which are voluntary regulations promoted by the private sector consisting in quality audits on behalf of the certifying body named the Mexican Institute of Standardizing and Certification.

A certification system of work capacity has also been implemented, which intends to restructure the different training forms of the work force, increasing its quality and attending tangible needs of the workers and productive staff. This effort contributes to the transforming of the work marketplace, improves activity and competitiveness, as well as remuneration for the workers.

- Works were initiated for the making of the Sustainable Tourism Development's National Strategy, which once concluded define the series of action programs and its implementing in different tourist destinations of the country.

The main objective of this strategy consists in "The Promoting of tourism developments by means of planning that will conciliate, balance and promote social equity, environmental sustainability and profitability of private and public investment, with the goal of satisfying the actual needs of the host region, tourist investors, tourism services renders and of the tourists with the goal of protecting, strengthening and guaranteeing the opportunities in the sector of the future".

- The diversification of the Mexican tourist product has been promotes, supporting the development of the Gulf of California and Barrancas del Cobre, Ballena Gris, Mayan World, Northern Border, Mayan Riviera, Hart of Mexico and Colonial Cities Ecotourist Circuit. Sectur's regional

programs have a strategic relevance, since they implement actions on a multi-destination level, creating synergies and adding efforts of diverse players so as to attract national and international markets.

Finally within this tight evaluation of the course of tourism in the last fifteen years approximately, it is important to point out that the main problems of environmental degrading and of the bare needs of urban development with adequate levels and standards, have not been solved despite heavy investments that were channeled through social programs to the tourist poles and coastline destinations in general.

Entrepreneurial expansion outside the control realm of Cancun has generated for example an environmental degrading all along the coast line which extends all the way to Chetumal, due to the explosive growth of a tourist offer of a very varied social-economic levels, with insufficient controls to take care of the social and natural surroundings. This case, particularly notorious, has caused a scolding on behalf of the President of the Republic towards a conservationist point of view of the coastal environment and severe control of the disorderly and unbridled growth of coast tourism in this specific location.

CHAPTER 5

A LONG TERM TOURISM POLICY

5.1 Basis of a tourism policy

The formulation of a long-term tourism policy must be made with the participation of all involved players and with their commitment to its application.

Moreover, it must start by recognizing strengths and what has been successful as a platform to satisfy the new demands and conditions “imposed” by the globalization.

This means that a balance must be reached in order to create a solid competitive position of Mexico in the effort of capturing a larger percentage of the international market, and of strengthening of the internal market.

In this sense, the future of the tourism industry in Mexico must lean on the consolidation of the destinations and at the same time open new tourist spaces in high potential regions so as to take advantage of the opportunities that the world market offers and its own growth expectations.

Therefore, it is necessary to reinforce support for the sector, so that the government can duly meet its promoting role, where it can channel financial and investment resources, coordinate, regulate and develop regional infrastructures, as well as find new participation ways and share responsibilities with the private sector and the social one, to achieve a sustained development of the activity and obtain a more extended social benefit.

On their side, tourism entrepreneurs must assume the great responsibility to create the experiences that the tourists are seeking for, to offer quality and be efficient, which means that they must understand tourism as an integrated services system.

5.2 Strategic reorienting.

The direction and orientation towards where Mexico's tourism development must be channeled, is determined by the strategic objectives of the country, where they remain to be priority factors: currency capturing, job generating, a better distribution of the income and the sustained regional development, which makes them be aware of the tendencies of world tourism and the development of the domestic market.

These tendencies place Mexico in very favorable position, based on its great potential to capture markets and segments of the highest growth that are

compatible with its tourist attractions, but at the same time compel it to develop a highly competitive environment.

According to the WTO, international tourism will grow at a 4.3% rate in the 2000-2020 period, where Europe, Asia and North America will keep their leading roles as the main generators of tourism in the world.

Table 4
Main Tourism Generating Countries at a World Level 2020

Place	Country	Travels abroad (Millions of tourists)
1	Germany	152.9
2	Japan	141.5
3	United States	123.3
4	China	100.0
5	United Kingdom	94.5
6	France	54.6
7	Netherlands	45.6
8	Italy	35.2
9	Canada	31.3
10	Russia	30.5

Source: WTO, Panorama Tourism 2020.

In relation with the domestic market, the industrialized nations will have hit the ceiling of their growth, whereas the developing nations' internal markets will experiment an important expansion.

Concerning the quality aspects, the WTO underlines that tourist activity will have the following characteristics:

That competition for the tourism markets shall be increasingly fierce. Tourism will move in a market dominated by wholesale buyers who will be in charge of conducting tourist flows with absolute freedom, influencing the behavior of tourism in general in a determining way. In the future, counting on tourist attractions in a region or country will not be enough; it will be necessary to be

efficient in its commercialization, in order to favorably compete in the international tourism market.

The challenges that tourism activity will face include: more competition in commercialization, a higher demand for financial resources for project development; the application of the latest technology available, especially regarding IT, a much more sensitive relationship between tourism activity, its ecological surroundings and communities in order to guarantee its sustainability, and the designing of innovative products in the frame of the concepts of quality and competitive pricing.

Social and cultural changes as well as changes in the media that the contemporary society will go through will motivate a very complex segmentation of the market, meaning the appearance of new niches in tourism, and therefore an intense international competition.

Important changes in lifestyles are already happening in the industrialized countries, in demography, the conditions of employment, the income and the availability of time for traveling. All this should affect the characteristics of the tourism market of the future, and allows us to foresee that tourism activity must keep up with those changes in the demand pattern of shorter, more frequent and more intense vacations, which implies higher expenditures and consequently, a higher profitability of the investment.¹

¹ Source: WTO, "Changes in leisure time. The impact on tourism", 1999.

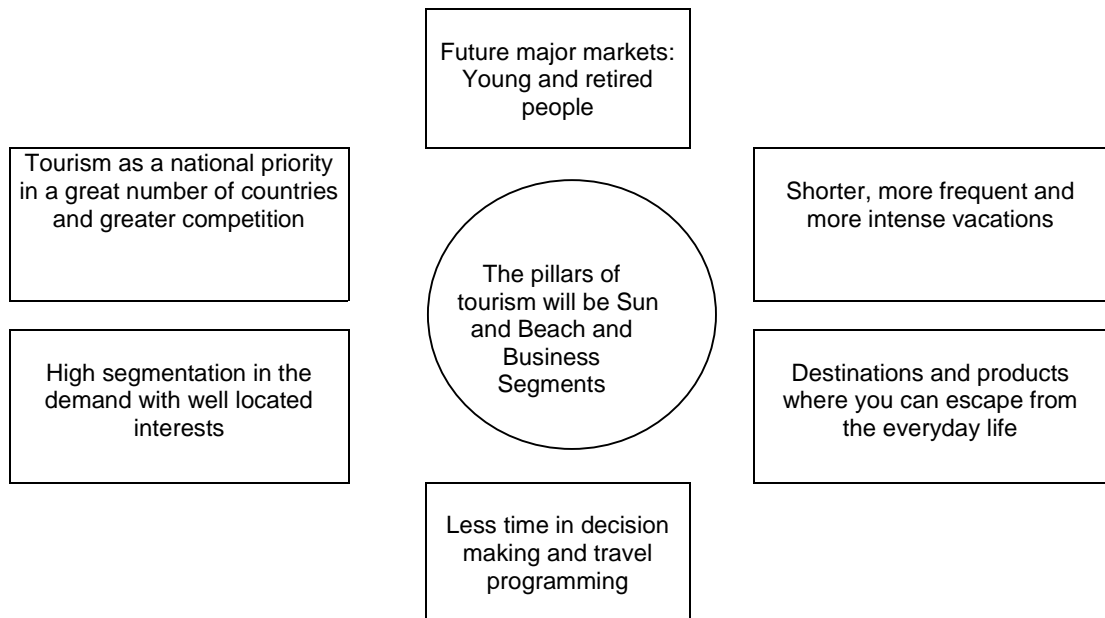


Figure 22: Major Influencing Factors in the Future Tourist Market

The tourism industry must be able to recognize the two ends the market is moving towards. On the one end, people have higher available / discretionary income to travel but less time to do it, meaning that those attributes that would allow time saving will be very appreciated, quick decision making, programming without much time in advance and finding a great variety of activities and entertainment which will enrich the experience of the trip and allow them to get away from daily routine.

At the other end, one must be able to recognize those segments with less money available, but more vacation time. Here we find the retired and young people segments that are looking for low budget activities.

The above leads to the fact traditional tourist products compete for time or cost with other related products, such as shared-time and cruises.

In the same way, they lead to an increasing segmentation of the market and to constant changes in the demand for tourism made up of niches, and to the development of less standardized products. However, mass tourism and therefore beach tourism, of which it is representative, will not disappear. On the contrary, it shall constitute, together with business tourism, the two pillars on which the future of tourism development will rest.

In this sense, Mexico must take advantage of the enormous potential it has in its coast line destinations as a basis for the development of new travel experiences, serving as the gateway to regions that will incorporate new attractions, linked to nature and culture and to generate a wide scope of activities oriented to the satisfaction of specific niches pertaining both to the national and the international markets.

On the other hand, the strategic location Mexico has must be taken advantage of in order to maintain the participation of the United States market that, among other opportunities, offers a huge domestic market of approximately eight hundred and fifty million trips that are made for leisure, business and convention reasons. At the same time, it must diversify towards other high potential markets, such as the countries of the European Economic Community, Japan, Korea and Singapore.

Moreover, it is necessary to diversify towards other segments, for which Mexico counts with great attractions such as those linked to nature, culture, health, cruises and business, which will have a very accelerated growth.

Product developing should attend requirements of **authenticity**, **diversification** and **differentiation**, where one can find many activities to participate into, that can offer the intensity that tourists are looking for at reasonable and fair prices in a short time frame (time being one of the most scarce resources in the future).

Beaches and resorts that offer a wide range of activities and attractions in a carefully preserved environment.
Cities with good transportation services, functional airports, cultural attractions, entertaining, good shopping and quality services.
Far away destinations for rest and peace that offer options for satisfying cultural, physical and environmental interests.
Conveniently located theme parks, with good linking services and entertainment activities for family enjoyment.
Cruises that offer a wide scope of trips, hours and prices, full of entertainment options (floating resorts).
Distinctive products for young people that include active vacations like diving, skiing, adventure, trekking, cycling, and all sports in general.
Distinctive products for the retired include vacations linked to culture, learning, health, golf and plenty of rest.
Distinctive activities for very specific groups linked to hobby practicing (nature, adventure, nautical, golf, arts, etc.)

Figure 23: Characteristics of Future Successful Tourist Products

CHAPTER 6

COMPREHENSIVE TOURISM DEVELOPMENT ANALYSIS

One could think that all the effort used to imagine the future is particularly useless due to the magnitude of the current changes Mexico and the world are going through, that may make us suspect major transformations of what we see today as a consequence of long term trends.

It has been recognized that there are strong pressures from the competence, susceptible of deeply affecting the patter of the Mexican tourist development. When we analyze its strengths and opportunities as well as its weaknesses and threats, it is evident that it is not possible to avoid taking action in this regard, and that cannot be any other than the strengthening of an activity that in an honest way has played an important role in the Mexican economy and in the general well being of the population.

6.1 Long term tourism scenarios in Mexico

Two qualitative scenarios have been built, responding to two different models of tourist development that may take place in Mexico in the future. These scenarios respond to two opposing and excluding hypotheses. The first hypothesis is the stagnation, or slow evolving of the current tourism policies. The other hypothesis states a change or reorientation of the above.

The definition of each scenario is as follows:

- Permanence / evolution scenario: this scenario corresponds, as shown in the variable synthesis chart below, to a slow transformation of the current tourism development pattern, characterized by the permanency of the prevailing trends in mass tourism.
- Change / reorientation scenario: this scenario takes us to a more radical transformation of the current trends, taking advantage of the favorable national and international conditions, with the consolidation of the present emerging reorientation.

These scenarios are the reflection of two possible future trends, whether we undertake a serious reorientation towards change, gathering all past experiences and focusing on the programs and actions of the sector based on the set objectives, or we can let the strongest trends coming from the past run free, trying to avoid affecting the current pattern, and eventually complementing it with new partial policies, more adequate to the evolution of tourism in the world and in Mexico.

The scenarios are presented in the comparative chart below, to allow the visualization of the possible options for each mentioned choice.

Table 5
Tourism Scenarios for Mexico

PERMANENCE / EVOLUTION SCENARIO	CHANGE / REORIENTATION SCENARIO
Conservative perspective vision of maintaining the current trends	Dynamic perspective vision towards change
Few attention to national and international change megatrends, traditional considerations regarding the national tourism model	Focusing on policies in the optimum exploiting of change trends looking for a better positioning in the international market
Progressive de-incorporation of the State, which leaves the market in charge of deciding the tourism model's evolution	A more participating position of the State that considers it must keep its surveillance over the megatrends and take advantage of their positive aspects.
Traditional State participation and disappearing of the traditional promotion, impulse and orientation of the tourism model (Tourism Ministry, FONATUR, etc.)	Renewed State participation as a guide and "facilitator" but without any direct investments
Mass tourism expansion towards traditional destinations or new megaprojects	Increasing diversification of the Mexican tourism model, with the consolidating of new segments based on Mexico's competitive attractions, such as the natural environment and its bio-diversity, its cultural architectural heritage, its traditions, etc.
Strong international competition with other destinations, mainly the Caribbean, that successfully compete with Mexico diminishing its share of the market	Mexico gains spaces and improve its position as an international tourism receptor, since it takes advantage of the attractions that the nearby Caribbean destinations do not have, being limited to the traditional beach attractions.
Slow currency capturing rate, due to loss of competitiveness and demand evolution	Increasing diversification of the sources of tourist currencies and higher capturing through

towards low income American sectors that keep on choosing the massive beach model.	alternative quality programs capable of capturing the North American, European and Asian markets top monetary capacity segments
Almost total concentration and dependence on the American market, with the risk of collapsing depending on possible political disagreement or unforeseeable geo-political changes (for instance, Cuba's radical opening and the American tourist flow's reorientation towards such destination).	Increasing capture of segments of the European and Asian markets and of the rest of the world, interested in Mexico's bio-diversity and "social-diversity". Reduction of risk in market structure, currency capturing, etc.
Progressive co-optation of tourist activities by multinational companies that move within the mass tourism global world, presenting Mexico as one destination among many others	Expansion of a new tourist entrepreneurial class including associated small and medium sized domestic entrepreneurs, working in network and playing with the advantages of technology to achieve association economies.
Functioning through major tourist operations based on economies of scale and exclusively centered on beach attractions	Increasing functionality based on new operations, which take advantage of variations in economies; progressive integration of existing megaprojects to the dynamics of diversification
Scarce attention to the domestic market, considered as a secondary one in the model that essentially looks for capturing currency	Intensive re-evaluation of the domestic market, comprehending national attractions and assuming the importance of regional development and employment generation.
Permanent problems in the tourist balance due to the trend of medium and high national segments to look for tourism alternatives abroad	Consolidation of the medium and high sectors' interest in Mexico's values, with the consequential reduction of pressure over the payment balance.
Growing unregulated environmental deterioration due to tourist megaprojects, negative reactions of environmental defense groups, putting in risk the project's operation, bad international image of Mexico due to its few attention to ecology	Environmentally friendly projects. Ecoprojects as part of alternative destinations and activities. Tourism as a support of environmental policy, helping to preserve environment in tourist projects and creation of an environmental awareness; an optimum image of Mexico as a destination, due to its favorable tourist position.
Concentration of projects in far away zones of some region, growing regional and urban unbalances, strong trend that project become enclaves without any policies to control negative effects	Dispersion of microprojects throughout the territory, even in zones that formerly appeared unattractive (desert or forest zones for instance). Intense positive effect for local communities, reversion of the tendency to enclave.
Growing lack of interest and hostility from the organized civil society towards tourism due to its negative social, environmental and economic effects	Growing participation of the civil society in project generation and regional and social appraisal of tourism's positive effects
State-civil society confrontation regarding tourism	Growing cooperation, democratization of official instances for tourism support.
Unbinding between tourism and local population entertainment activities among other, in tourist resorts	Growth of tourism and recreation's interpenetration in a complex model for the exploiting of socially relevant leisure time.
Impossibility of associating standardized mass tourism with local interests and production in tourist areas	Growth of project interaction with the productive and cultural basis, empowerment of local communities' capacities

Tourism-social values dissociation in Mexico, growing conflicts regarding value system	Better integration of leisure time in the Mexican society, formation of integrative hedonist values.
Fragility of tourist projects regarding criminal group control, particularly due to the interest of the second mentioned in resource laundry	Absolute de-linking of projects with illegal activities, guaranteed by communal social control, small scale, etc.

6.2 Long term missions

Concerning the challenges that tourist activities must face in order to grow, it is necessary to re-conquer markets and promote competitiveness once again. On the international level, competition is growing; Mexico should seek the elements that allow it to place its tourism in an advantageous position.

The future change in the tourism development pattern is necessary so as to:

- Considerably reinforce the capacity of the Mexican tourism sector to compete at an international level.
- Maximize the positive effect of tourist activity at a national level; and
- Reduce the negative effects brought by the tourism development pattern followed during the second half of the XX century.

6.3 Development emphasis and main behavior axis for the future

As of the general guidelines pointed out, if the desired scenario is that of change and reorientation, the development pattern should emphasize diversification, sustainability, decentralization and regional development.

6.3.1 Improving competitiveness while seeking diversification

Diversifying is a key element for competitiveness: when related to the proliferation of new international destinations centered on the same beach products, diversification allows the offering of different attractions, and therefore to enhancement of a substantial competitive advantage.

Then, diversifying implies two complementary actions. The first is to reorganize what resources are available and the second is to design alternative projects.

Diversifying the offer of the current destinations

A new conceptualization of what's available consists in putting forward, as a partial objective of the tourism policy, to find directions for the current developments (e.g. complementary activities that can offer a wider scope for the attractions in beach resorts).

Among the many actions that can be taken in order to generate the diversification of the current beach destinations, there is that of making an inventory of the existing resources, of elaborating a portfolio of feasible development projects. Also, another way to approach the subject of diversification is through extending attractions in beach centers that is avoiding that the beach be the only attraction. This implies the promotion of activities complementary to the traditional ones

regarding hotels and beaches, such as staying in the beach or pool, beach activities, golf, etc.

Promoting alternative tourism in its different forms

On the other hand, a key objective of the tourism policy for the following years should be the promotion of forms of tourism different to those in the prevailing tourism pattern, among which are ecotourism, cultural and urban tourism, sports tourism, business travel, religious tourism, etc.

A policy of niches may result decisive for the future to replace the globalization trends of certain current actions, like the global promoting of tourist centers.

The alternative projects that have been created in the last fifteen years in Mexico have depended, in their majority, on the interest and personality of the entrepreneurs.

These entrepreneurs have functioned with very little support from the private sector. This situation must be quickly reverted, since the main goal is to increase the new offer, therefore it is absolutely necessary to directly support entrepreneurs linked to alternative projects.

There also are several kinds of alternative projects and therefore of entrepreneurs, that may be classified as *“high level of sophistication“ projects* intended for niches of the tourist demand characterized by a high income (the developing of theme parks, for instance, will fall in this category), while other projects may correspond to what has been called *“social economy”* or *“solidarity economy”* projects.

Both kinds of projects are necessary for the diversification of the current tourism model. The first type is justified for the need to create quality alternatives, very competitive and profitable, aimed to a sophisticated demand that seeks novelty, adventure and the unusual.

The second type of projects corresponds to the social economy and finds its justification in the need to offer the population with lower budgets, new possibilities of insertion in the formal economy, through profitable tourism in a small scale.

Improving service quality

Many Mexican tourist enterprises suffer from lack of service quality. In order to change this, it is necessary to impose a service quality culture in tourism. This would be achieved on the medium term through several specific actions like: rising awareness concerning the quality of the service, the enforcement of measures that point towards total quality, the professional training in quality service.

Moreover, it is necessary to make use of the technological progress in certain enterprise functions, especially at microeconomic / enterprise level, such as the reservation systems, or promotion through the Internet. In this respect, public policies must focus on the guaranteeing of co-responsibility for the imparting of courses, the granting of credits and the guiding for the entrepreneurs regarding

subjects on service quality. The possibility of developing contest systems or tourist quality certificates may also be considered.

The technifying and professionalizing of Mexican tourism is an undeletable need that must be sustained with a reconfiguration of the schooling system. It is necessary to develop the generating capacities of highly specialized tourist knowledge, by means of research centers, placing them as instruments for identity strengthening, as instruments for the convergence of actions of the diverse players in tourism and for the insertion in globalization, and as support for increasing competitiveness.

The bio and social diversity of competitiveness resources

In front of a highly competitive environment, it is necessary to find certain competitive advantages over other countries, in such way so as to offer *added value* regarding other countries offer. In this sense, exploiting the evident advantages of the country in terms of bio-diversity and social-diversity is a key measure.

For such reason, it is important to upgrade the tourist product based on the knowledge and exploiting of the bio-diversity and social-diversity on behalf of the tourists.

Concerning diversification itself, Mexican tourism needs to look for new destinations and reinforce the integration of micro-regional resources to traditional destinations. In all cases, it is important to reinforce cultural management, social

diversity and the natural environment, as highly favorable elements for competitiveness.

It seems that competitiveness in numerous tourist centers cannot be sustained only by the existence of patrimonial elements, may they be natural or social, but also through the construction of artificial competitive attractions. The growth of artificial tourism as of the imitation of other locations (Las Vegas for example) or as of the fantasy (Disney entertainment parks) are good examples of competitiveness built on very scarce social-cultural basis. However, this kind of competitiveness has its very own attractive as a way of recreation and evasion from every day life, which is finally one of the greatest tourism motivations to travel.

Identity reinforcing

The loss of identity constitutes one of the main risks of globalization as a consequence of the complete standardizing of the offer. Therefore, identity must be understood as a way for differentiation and diversification, and in this way, the resources of the cultural patrimony constitute a way for developing competitiveness in destinations.

However, the transformation of cultural goods into exploitable goods with profit purposes must be performed within a context of sustainability of these same resources, in order to guarantee a long-term permanence. Besides, its use should encourage and increase the cultural identity of the residents and bring visitors to know this identity: in such a way identity becomes a component of the diversity of

each and every space or region, and therefore an element of tourism competitiveness, allowing at the same time the reinforcing of the local society.

6.3.2 Responsible tourism: towards sustainability

The concept of sustainability has fully entered the twentieth century vocabulary from two points of view. On one hand, there is awareness concerning the limited character of the world (natural resources), of the earth or “Gaia”, and on the other hand, it is to be noticed the countless environmental destruction society has done from the beginning of the intensive growth of the productive forces until the industrial revolution.

Integrating sustainability to tourism

The development of tourism in Mexico is far from being an example of sustainability. Not only have the natural surroundings been irremediably damaged, but also there have been strong contradictions in the social, cultural and political dimensions in tourism. The former have generated new sustainability holes: that of tourism itself. If we see it this way, by not taking care of the natural and social sustainability of its programs, tourism generates problems of decreasing competitiveness and does not guarantee its own reproduction in the long run. So it carries the risk of becoming an unsustainable activity.

Within this context, sustainability has been transformed into a central goal that must be reached, both through the current tourist projects (in their natural and

social dimensions) as well as through the definition and priority selection of new projects that will take into account its relation with the environment. This demands the developing of a sustainability culture in tourism.

Sustainability on the other hand must be seen from a general point of view as a determining factor for the competitiveness of the tourism sector. Its importance, besides the contribution it represents for the conservation of the natural and cultural patrimony of the nation, is expressed both from the point of view of the trends in the taste and preferences in the largest centers of origin of tourism, and the need of maintaining a high value and return of tourism industry investments. The integral focus in tourism sustainability implies the achievement of improvements in quality and integrality aspects of tourist services, in the valorization of the different cultures and in the controlled use of natural beauties as well as in the well being and progress of Mexicans and the communities that surround or are part of the tourist destinations.

Within an effective strategy to take tourism practice to higher sustainability levels, municipalities shall play a fundamental role. It is necessary to make municipalities take the hold on integral improving of the urban, social, schooling and tourism infrastructure of the destinations. It is absolutely necessary to rearrange the economic and social incentives in such a way that the municipality itself will directly benefit from the tourist activity and as a consequence it will generate a virtual chain of social and urban improvements on one hand, and the developing of the infrastructure, the services, and tourism value of the destinations on the other.

“Ecologizing” the current tourism projects

The “Ecologizing” is not only seen as a reform to the existing programs that implies high public and private expenses, but as an excellent way of reverting the image of the developments and impose an ecological recognition for the enterprises and tourism developments that comply with a better environmental protection.

It may be possible to impose strict environmental regulations for the new tourism projects, may they be in their integral designing or in the building of their different equipping.

Also, discounts and tax deductions could be offered to the companies that would take proven measures to improve their relationships with the environment, such as water recycling or electric energy saving, among other measures.

Undertaking new tourism projects related to the environment

There are numerous alternative tourism activities that relate to the environment, not degrading it, but as an element that must be protected. In numerous occasions, its moderate use allows for the reduction of the probability of environmental degradation due to other activities less concerned with the protection thereof. Among these we can find walks through the forests and jungles, bird or whale watching, etc. The possibility that these activities may be enjoyed not only by tourists but also by the local population reinforces its economic feasibility and social and regional impact.

However, it is necessary to keep the most strict surveillance regarding the possible effects of these kind of programs, since the lack of a frame of impact prevention, even with a very ecological vision of the activity, may lead to irreparable overburden of the ecosystems.

Local companies and institutions that, as a part of that environment, have strong interest in its preservation should initiate such projects.

6.3.3 Regional development

This concept implies:

- A balanced and sustainable growth of the regional economic product through the expanding of productive activities in several sectors (avoiding single activity). Growth should not affect the existence and development of other preexisting productive activities.

- A participation of the native population in this balanced and sustainable growth, which i) is part of it and, at the same time, the one to benefit, from the creation of jobs, ii) should take part in the growth process in an entrepreneurial way.

- Strengthening of the skills – *empowerment* – of the native population, this is to impulse this population so that it can take part in the regional process, and be capable of engraving their aspirations in the orientation towards the future of life in their region regarding both the political and the economic dimension.
- Real region competitiveness which will be able to offer the destination a stable place, of more or less importance, within the context of the expansion of the national and global economy.

Regionalizing of tourism models and sector policies

There is not one single tourism model applicable for the whole country, unless we refer to an island or a territory not susceptible to be divided in regions due to its small size. In the Mexican case, different regions have been subject to the same tourism model independently of their own traditions in the matter, their social and cultural potential and their environmental surroundings. In this way some general traits have been applied to tourism; a homogeneous point of view has prevailed, instead of taking advantage of the particularities of each region.

In such a way, as an international tourism destination, Mexico appears as a territory with hardly any variations, loosing the opportunity of offering differentiated products which could very favorably influence the returns from tourism. For example, it is recommended that a promotion campaign emphasized the

differences between a beach center such as Cancun, instead of outlining its similarities with other international destinations.

Assigning priorities to sectors and regional integrating actions

Tourism involves a set of activities of a direct essence that have a strong multiplying effect. The lack of local capacities, both in investment resources and in human capital, has conducted to the orientation of the positive multiplying effects of the tourism activities to the most developed regions and urban centers, instead of contributing to growth of the region surrounding the tourist resort.

In order to change this situation, actions for the internalizing of tourist growth benefits towards its region of location should be taken, avoiding in such way the forming of enclaves even in case of major projects.

In the case of new products, it is important to select tourist activities according to their capacity to integrate local supply, being it population, natural resources or locally manufactured products. Therefore, it is suggested to submit new projects to an evaluation of their regional impact, without losing national and global perspective.

Organization of tourism in sectors and regionally integrated products

The traditional definition usually refers to tourist projects as part of isolated proposals, where entrepreneurs act most of the times in a non-coordinated way. Even when the competition between entrepreneurs may partially justify such an

attitude, it is well known that in such way the possibility of creating integrated products is lost.

The former is more relevant as of the moment when major projects under the public protection, such as integrally planned centers, stopped being proposed. Integration is particularly important and has two advantages: the first is the possibility of creating consortiums of companies that function in a complementary way and therefore, with greater individual advantages. The second is the possibility of creating at a regional level, tourist districts similar to industrial districts. These last mentioned are areas of concentration mostly for micro or small industries that work in a supplementary way around a specific product or product line¹.

The potential for creating tourist districts is high, since in the essence, tourism is based on supplementary activities that compete among themselves. The tourist product is constituted based on activities that may be rendered by several companies, creating in such way a “tourist environment” that is part of the whole image of the destination.

Reinforcing decentralization

Decentralization is one of the most relevant instruments to reach regional development. A greater participation of local authorities and well-known entrepreneurs of the field in state entities has been an important element to improve the tourism policy. In fact, the governments of each federative entity and

¹The best known cases in Mexico, are for instance silver crafts in Taxco or shoe production in Leon, Guanajuato (see Benko and Lipietz, 1994 and 2000)

the Federal District are already responsible for the tourist function and have a budget for such purpose.

However, decentralization is, in public administration, the action of transferring authority, decision-making capacity, as well as organic and technical autonomy – for the purposes of this work – to the governments of the states and municipalities in tourism matters. Even when formal authority has been transferred, including part of the access to resources, in all cases, it is essential to strengthen this decentralization, to reinforce the degree of state autonomy regarding the orientation of the tourism policy and its enforcement. In other words, a better exploiting of the wide range of functions of state and municipal authorities for the formulation of specific development programs that, even when following the federal guidelines, may favor local development.

This last reasoning leads to the consideration of the importance of the necessary coordination that should exist between the federation, the states and municipalities. This coordination has already been mentioned in the concept frame of sustainability, and it is reiterated within the context of the promotion of a more intense regional development as a means for tourism promotion.

6.4 The role of the public and private sector

The institutional aspects are important when considering tourism from an economic point of view. If it is true that the sector does have a strong participation from

private enterprises, it is getting to be more obvious that competitiveness of the product is determined beyond individual businesses. In other words, competitiveness is also defined by the quality of the country, the government and the adopted policies.

The country image improves the image of the tourist product, and it can increase competitiveness margins. This is the reason why highly developed countries pay great attention to institutional aspects. This is the actual base of the macro theory for business.

Herein below are stated some proposals regarding the roles of both the entrepreneurial sector and the public sector in relation with the development of tourism.

6.4.1 New entrepreneurial challenges and the role companies play in the future of tourism

INNOVATION: current tourist products – as mentioned – tend to be not very competitive, and also repetitive in the nowadays tourist supply. Innovation becomes a considerable challenge, but absolutely necessary in order to avoid being surpassed by the competition. It is essential that the private sector contribute with new products to the market. These products may be destinations and new products, complementary products in traditional destinations, modern entrepreneurial organizations and subcontracting forms as occurs in certain industrial sectors, for example.

ASSUMPTION OF NEW RISKS: There is no possible growth without risks. Risk is inherent to all human activity, no matter what it may be, in the context of a globalized environment. In this sense, innovation must be confronted with a certain degree of risk that did not have to be assumed in the past. This is why a better knowledge is necessary when it comes to tourism activities and the determination of their risk feasibility. The assumed risks include investments in non-traditional activities, like education or internal training of a company which results in brand quality for example, even in small or medium sized companies.

ARTICULATING AMONG ENTERPRISES: The globalization of tourism activities certainly has been around for a long time. But it certainly is approaching highly concentrated models, just as in aviation. The dimension of most Mexican enterprises is not adequate in order to compete in a highly pressured market.

Articulating for better competitiveness is then an urgent program. It implies that companies should search to offer integrated products, formed by complementary entrepreneurial components, to create a cooperating spirit that will not detain or elude the need for competition such as that seen in industrial sectors and to create collective contribution in the forming of a proper environment for tourism in the current destination.

Articulating between companies should also be seen as a way of gaining competitiveness and of building a proper environment for tourism, regarding infrastructure and regional development.

“HOME DELIVERY” CONQUERING OF NEW MARKETS: everything seems to indicate that globalization will not stop for the time being. Therefore, the Mexican market should expand, not only by means of conquering other markets for Mexico – a certainly obvious and necessary task – but also by promoting the supply of the services of Mexican companies to tourists in other countries.

Recent commercial treaties with several Latin American countries, as well as the possibility of complementary agreements with the MERCOSUR for example, makes one think that the borders may be increasingly widening for Mexican tourism enterprises, in the same way they were erased for the activity sectors. A vision towards the north also let us see that the corresponding markets can be conquered, this time probably through joint-ventures or other inter-company forms of agreement. Mexican enterprises

must participate in extended clusters that include articulated activities in several countries.

DIFFERENTIAL PROMOTING: Tourism promoting has been frequently reduced to the showing of an image with a certain appeal. In the international context it has been mentioned that these images do not reflect Mexico's reality.

Other critics refer to the larger campaigns not always being the most adequate when you want to promote different locations with their own regional and tourist identity. Finally, there is not a single target market for the promotion, in such a way that frequently there is a lack of definition of the target population, this being the reason why the efficiency of a promotion diminishes.

In the same sense that site diversification is sought, it is absolutely necessary to diversify the images: there are many Mexicos, many markets and many ways of doing tourism. An intelligent promotion must start from the local conditions, designed for specific market segments, and avoiding inadequate contents in order not to offend gender, ecological, social, religious and political sensibilities that have become universal values in the context of globalization.

THINKING THEIR OWN FUTURE: a short-term vision has been, frequently, the consequence of positive results of tourist companies along decades.

Such environment will not be easily reproduced in the years to come, and the signals of difficulties, or at least the warnings to tourist companies are numerous. The unavoidable task for those in the supply side is the permanent reevaluation of the demand they face, and of the factual conditions of competitiveness compared with concurrent offers, sometimes more aggressive. Thinking of their future implies the tracing of very distinct goals, the conducting of internal company surveys, market inquiries and finally, a true spirit of confrontation with a very difficult future.

CONCLUSIONS

Mexico is going through a moment of transition that signifies challenges and opportunities for tourist activities. In this context, the need for change is recognized in order to face these same challenges and opportunities.

The central hypothesis of this thesis is to raise awareness that the conditions of the national and international surroundings, which have favored the success of tourism in Mexico in the last fifty years, have radically changed. In this context, the analysis of the factors of change and definition of the new guidelines that must be followed in order to maintain Mexico as a world-class tourist country, become of a crucial importance.

The international context in which all these deep changes occur reach economic, social, political, cultural, environmental and territorial dimensions, and reveals to be favorable to Mexico, which has proven in many sectors, its capacity to adapt to changes.

Tourism industry, in turn, is capable of adapting itself to this changing environment, obtaining benefits and being able to transfer the numerous positive effects to other sectors of the economic and social life of the country.

The ability of the tourism sector to facing these changes rests mostly in the accumulated experience of the last half a century, which has allowed for the development of entrepreneurial skills and first class public and social administration.

Mexico, as a country, counts on its competitive advantages to confront changes, as well as to maintain, and eventually improve, its position in the tourism market.

These competitive advantages emerge from the existence of numerous and varied resources, that can be considered as tourist attractions. These resources are the consequence of a rich historic inheritance in its cultural patrimony, in its biodiversity and in the installed capacity along its trajectory of development.

The restating of the strategies for the development of tourism towards the future requires an integral vision capable of articulating all the elements that concur and conform this activity.

It has been recognized as of particular importance, that the capacity to respond to changes depends upon an administration model that would work in an inductive way that is upwards.

Turning decision making around, traditionally downwards, nonetheless requires the following:

- That all measures stated within the local realms be the result of basic agreements and commitments made by the players, within the framework of strategic planning on a national and regional scale; and
- That such measures, be regulated in order to achieve high levels of consistency in the administration model.

Therefore, it is particularly important to reinforce the attributions of municipalities as tourism activities promoters, coordinators, facilitators and regulators.

Therefore, it is necessary to recognize and enforce local social participation, not only to endorse proposals made by state instances, but also to participate in the designing of development policies in all its territory.

To guarantee a growing participation of economic and social agents, that is both the entrepreneurial sector and organized groups within the civil society, it is indispensable to offer a frame of increased certainty in their scope of work. This implies revising and adapting the regulatory and promotional framework, among others, in its legal and financial aspects. Within this context, the enforcement of a long term strategic plans to define a precise and agreed framework for the performance of all players becomes of great importance.

The importance of this long term planning also resides in the defining of the courses of action for mid term temporary horizons.

The definition of mechanisms to face changes and the design of innovative instruments in order to build the tourism model of the following years requires deep modification in the role of **training and education in tourism**. One of its essential aspects is the absolute need of developing basic and applied research concerning tourism development, among others, by taking advantage of experiences in the matter developed by other countries. Furthermore, the current educational models have been surpassed by the speed and the changes in tourism and therefore require being updated, flexible and adapted to a dynamic and changing activity.

Particularly, the importance of forming professional leaders, capable of innovation and conducting the processes of change within the context of tourism and enterprise administration is underlined in the present thesis.

The challenges of the future development in tourism require a wide consensus regarding the need that tourism be sustainable, meaning that tourism:

1. Shall not destroy the natural and social resources it uses, but rather guarantee its integrity and long term replacement; and
2. Shall consolidate and expand in the long run.

Moreover, the macroeconomic and demographic forecasts of the country allow certain optimism regarding the achieving of the tourist flow goals that the WTO foresees for Mexico in the long term, as well as guaranteeing its permanency in its tourism position.

However, it is absolutely necessary to confront changes in a proactive way full fledged in a transformation and consolidation process of tourist activities, taking of from the joint and consensual action of public and private players.

This new way of proceeding must also go back in the teachings of a tourism past rich in experiences and also make a recount of the competitive advantages in order to confront the changes that are generated on a world and national scale.

It is on this basis that scenarios, design strategies and courses of action should be emphasized in the future.

Those countries better prepared to satisfy the requirements that diversity the demand in the future developments will have more opportunities to compete in advantageous conditions for a largest percentage of the tourist market.

In this sense, the new paradigms that are transforming tourist activity should be analyzed, where wealth and the variety of activities and options prevail. These allow to entertain the tourist with a quality service that offers the highest value for money, quickness in access and efficient communication means.

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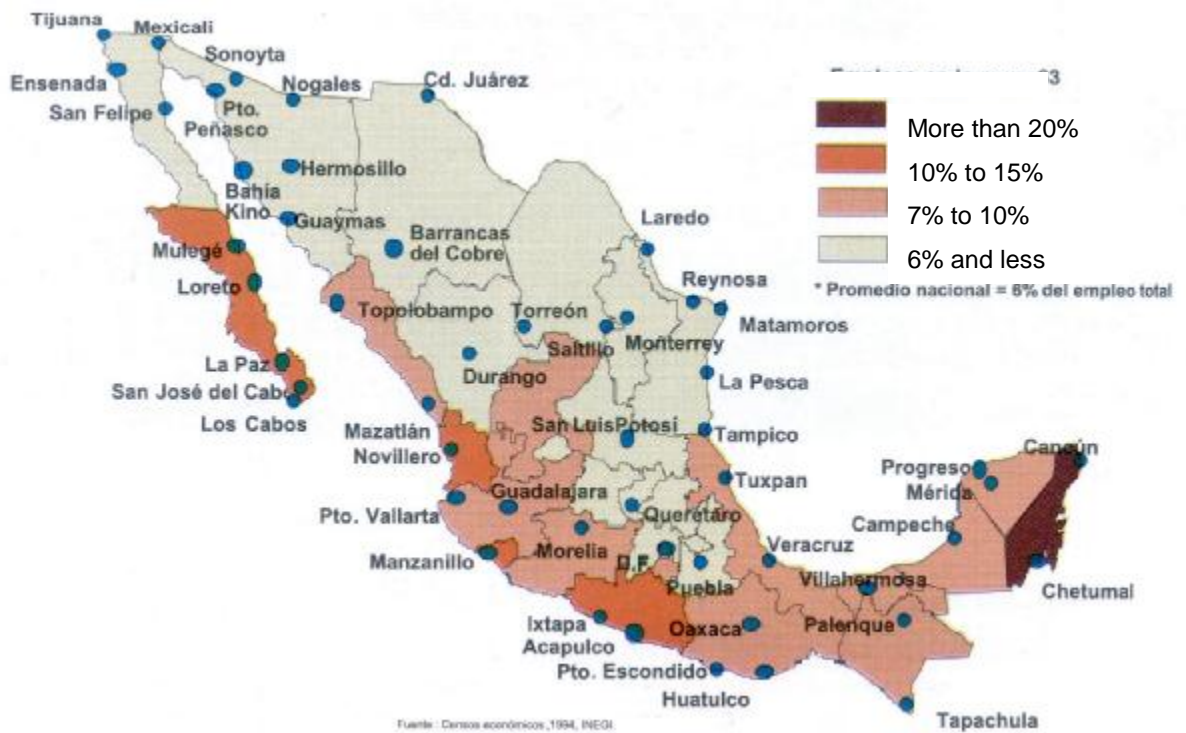
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APPENDIX I

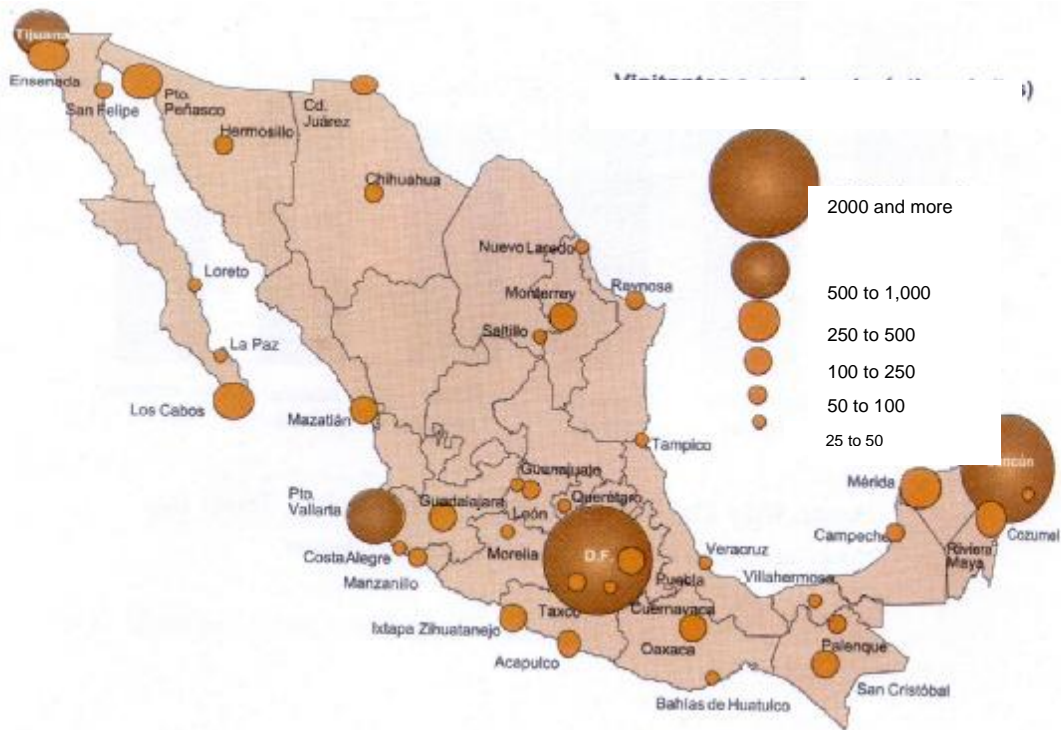
Participation of Tourism Employment within the Population's Working Force by Entity



*National Average = 6% of total employment
 Source: Economic Census, 1994, INEGI

APPENDIX II

International Tourism Affluence 1999 Visitors to Touristic Centers (thousands)



Source: Economic Census, 1999, INEGI

