

TOURISM IN MEXICO:

Drivers and sociopolitical considerations for recovery



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Foreword

Mexico is among the top tourist destinations worldwide due to its privileged geographical location, its integration to international markets, natural and cultural attractions, unique cuisine, and a vast portfolio of services and experiences for visitors. Since 2018, according to data from the World Tourism Organization (UNWTO), the country is the sixth most visited. It is an achievement of infrastructure, connectivity, entrepreneurship, and public policy. Activities related to tourism constitute 8.7 percent of Mexican GDP (INEGI: Cuenta Satélite de Turismo 2018), to which lodging, passenger transport, and restaurants and nightlife, contribute the most.

The full impact of the COVID19 pandemic remains unknown; however, tourism is one of the most affected sectors of the economy. Global scenarios for recovery, prepared by UNWTO, are bleak: possible declines between 60 and 80 percent of international tourist arrivals for the rest of the year, and 100 to 120 million direct tourism jobs at risk. The sociopolitical reality of Mexico could amplify or alter the domestic effects of the ensuing crisis and should be taken into account when planning for eventual recovery. The matter at hand is to think about what circumstances lurk on the road for recovery.

In 2019, the number of international travelers (visitors staying overnight) in Mexico peaked at 45 million (nine percent more than 2018). The country is placed 16th worldwide in terms of revenue from international tourism receipts (USD 22.5 billion), but places lower (40th) by average per capita expenditure (USD 490). The industry has been successful in generating employment: 4 million 438 thousand people worked in the sector (8.9 percent of total jobs in Mexico), a national record.

The “Tourism in Mexico” series launched by the Institute for Strategy and Development Research (ISDR) intends to explore the sector, gather new perspectives, and offer recommendations for businesses and the public sector. This document is the first of such research products. It will focus on the drivers of the industry, before the crisis appeared, and the sociopolitical considerations for recovery. The interaction between these factors must be understood to design and execute successful policies and initiatives.

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Executive Director



Drivers

The tourism sector is highly sensitive to changes in domestic and international conditions. In Mexico, the industry has proved resilient, especially after the start of the Mexican Drug War (2006), the Great Recession (2007-2009), and the Influenza A(H1N1) pandemic (2009). Lessons learned during similar significant events, like the September 11th attacks (2001), and the SARS outbreak (2003), helped decision-makers and entrepreneurs with recuperation efforts. Data from UNWTO (World Tourism Barometer May 2020) shows that the fastest recovery of international arrivals worldwide happened after the SARS epidemic (11 months) and that the slowest came after the Great Recession (19 months).

After each episode, disruptions to global politics, economic losses, communication methods, patterns of spending, and changes in values and attitudes among ordinary citizens changed. These factors influence each other and have driven the growth in the availability of products services for tourists in Mexico during the last decade. The current crisis could give way to new expressions of these and other drivers, but it is useful to explore their previous tendencies. These drivers are:

Professionalization and Accreditation

The traditional model of tourism for Mexico has focused on coastal and maritime tourism. Beach destinations such as Acapulco, Cancún, Los Cabos, Mazatlán, Playa del Carmen, and Puerto Vallarta, attract most national and international visitors. These places have been integrally planned and managed for decades, allowing for significant investments by the public and private sectors in land development and infrastructure. However, it is the professionalization of workers and service providers that may translate into a better quality of experiences, especially when dealing with foreign travelers. Other cities and towns in Mexico with fewer tourists and a lower density of attractions face this realization as well.

Certification programs for individuals, SMEs, and even whole towns, have been launched. The number of accreditation courses registered by the Mexican Ministry of Public Education (SEP) grew to 142 in 2019, with 120 thousand participants in at least one of them during the same year. Women accounted for 60 percent of those enrolled. Bridging academia, research, and vocational training is an important objective that can result in a competitive edge for the country.

For individuals, programs are offered for: attention to restaurant guests; hygienic preparation of food and beverages; hotel housekeeping; accreditation for in-site tourist guides, among others. Quality seals for businesses include those destined for: modernization and adoption of best practices (ecotourism, hotels, restaurants, car rental agencies, etc.); hygiene in food preparation; sustainability; clean facilities; inclusiveness; health tourism; and even Halal practices.



Lastly, *Pueblos Mágicos* (Enchanted Towns) program, was created to distinguish and promote places mired with symbolism, legends, and cultural assets. As of 2020, the list included 121 such sites across Mexico. Towns in this category have access to special funding for the development of tourist activities. The name of the program is now easily recognized by ordinary citizens and has been useful for diversifying tourism in other regions of the country.

Services for New Travel Classes

Changes in demographics and the growth of the middle class expanded demand for complementary or even new travel services. Aging populations in Europe and North America, for example, look for accommodations different from what young adventurers seek. Social responsibility and caring for the environment are also values that some travelers want to see reflected in the purchases they make.

A global middle class has emerged. Individuals and households in this category share ideas, spending patterns and tastes across countries. Five billion people are expected to belong to this segment of the population by 2030, with most living in emerging countries, like China and India. Young people growing up in rapidly developing environments have contact with an ever-growing number of products and services sourced globally. Internet access and education have helped in developing trends for new tourists.

More travel options (routes, lodging facilities, and transport) in Mexico and other countries appear alongside the explosion of niche markets. Fierce competition has led to the replacement of traditional tourism that relied on just a few geographical and cultural assets. Technological platforms and apps have brought consumers and service providers together, bypassing conglomerates, and even governments. Additionally, new marketing campaigns, social networks, and online publications have made it affordable for small businesses, and unique tourist spots, to attract visitors.

Niche markets benefit from a mixture of technology, communication, specialized vendors, and consumers willing to spend in differentiating tastes. A contraction of the world economy and different rates of recovery among countries will lead to the temporary disappearance of some markets. Additional travel restrictions and lower disposable income could limit international travel, which could be compensated by local tourism in the medium term. Some of the travel trends that enjoyed exposition in Mexico until recently were: ecotourism and adventure-seeking; medical tourism, especially in the north; music festivals; volunteering; conservationism; weddings; archeological and cultural visits; gastronomical (includes traditional and modern cuisines, along with coffee, tequila, and even wine); road-tripping; spiritual.



Investment in Transport Infrastructure

Connectivity has long been a strategic objective of the Mexican state and national governments. Increasing access to roads, airports, and seaports is seen as uniting a vast territory, helping with the distribution of goods and North American integration. Domestic and international tourism has benefited too.

Most visitors to Mexico arrive from the United States and Canada via airplane. American air passengers (10.8 million during 2019) mostly use the Mexico City and Cancún airports, while Canadians (2.3 million for the same period) arrive through the Mexico City and Puerto Vallarta airports. Busiest airports in the country for international arrivals are shown in the following table:

AIRPORT (IATA)	STATE	FOREIGN VISITORS (2019)
Cancún (CUN)	Quintana Roo	7,889,646
Mexico City (MEX)	México City	4,989,201
Las Cabos (SJD)	Baja California Sur	1,791,769
Puerto Vallarta (PVR)	Jalisco	1,515,681
Guadalajara (GDL)	Jalisco	1,128,155
Monterrey (MTY)	Nuevo León	288,573
El Bajío (BJX)	Guanajuato	202,001
Cozumel	Quintana Roo	178,634

Table 1 Busiest airports in Mexico (Foreign Visitors). Prepared with data from DATATUR.

As for sea travel, the number of passengers arriving by cruise ship was nine million for 2019, and 2,951 boats for the same period. Cozumel, in the Yucatán Peninsula, is among the top three cruise terminals worldwide. The Caribbean Sea, to which Mexico has access, is the preferred destination of cruise lines. Some cities in Europe have begun to restrict the arrival of these ships for over-tourism. The busiest ports in Mexico are:



PORT	STATE	ARRIVALS (SHIPS)	PASSENGERS (2019)
Cozumel	Quintana Roo	1,366	4,569,853
Majahual	Quintana Roo	481	1,604,435
Ensenada	Baja California	269	674,469
Cabo San Lucas	Baja California Sur	204	540,459
Puerto Vallarta	Jalisco	181	482,335
Progreso	Yucatán	146	471,853

Table 2 Busiest ports in Mexico (Arrivals and Passengers). Prepared with data from DATATUR.

Another example of an integrated transport infrastructure project is the Durango-Mazatlán Highway. It spans approximately 140 miles and helps connect eight states from East to West while reducing transit times from 6 to 2.5 hours. It forms a corridor from the Pacific Coast to the Gulf of Mexico, including ramifications to Texas border cities. The project complements the Chihuahua-Pacífico railway line and the port of Mazatlán. Though useful for commerce in the NAFTA/USMCA context, it boosted domestic tourism in Sinaloa and other parts of the Pacific Coast.

A new international airport for Mexico City (NAICM) began construction during the previous federal administration, with an expected investment of USD 13.3 billion. The project intended to be one of the largest passenger hubs in Latin America. President López canceled it in 2018 for supposed corruption carried out by the former administration. The effects rippled through other parts of the tourism industry and worried national and international investors. A project by the current government for an alternative airport started in Santa Lucía, a former military airfield, on the outskirts of Mexico City.

Other than the one in Mexico City, the development and expansion of airports are of interest to local governments and businesses. Recent projects announced for renovating terminals in Cancún, Guadalajara, Monterrey, and El Bajío, help with a renewed vision of regional development that includes serving international markets. Redirecting traffic from busy skies in the country's capital to other hubs could translate to beneficial cluster effects: drivers for investment, the attraction of talent, and the growth of complementary industries.

President López has additional critical plans for tourism infrastructure. One of the most important is a new train route (Tren Maya) in the Yucatán Peninsula. Its objective is connecting local dispersed populations and tourist towns in the area while fostering social development. The shock to the national economy has not made the government redirect public funds from these projects (the Maya Train and the Santa Lucía Airport) to financial instruments for recovery. A risk of idle or unfinished infrastructure arises.



Local Public Security Conditions

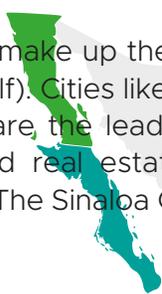
Public security conditions fluctuate widely across regions in Mexico. The Mexican government's War on Drugs began in 2006 and altered the control that large organized crime groups had on vast territories. Smaller, more adaptative, factions now vie for power in cities and rural areas, and some of their offshoots entered started activities beyond the production and distribution of drugs.

International perception plays a role in tourism in Mexico. Foreign governments issued warnings about traveling in Mexico, even if recent violent events took place in areas not considered tourist destinations. Resorts in notable cities and beach towns might be capable of having sufficient security infrastructure, but this limits the growth of other services beyond the walls of their compounds. Organized crime does not necessarily target tourists. Conversely, insufficient public security affects local inhabitants' lives and stands in the way of leveraging tourism for social development.

The fate of tourist destinations depends on regional criminal phenomena. Economic boom and bust cycles might influence how these groups behave. For the time being, COVID19 has made it difficult for organized crime to develop resources: closed borders, dwindling economic activity, and people confined during the quarantine. The view on other international events, like the Central American migrant caravan, is different on both sides of the US-Mexico border, with citizens and politicians sometimes framing it as a public security problem, particularly in northern cities like Tijuana or Ciudad Juárez.

Beaches and resorts in the Baja California Peninsula, Jalisco, and Quintana Roo are among the most popular for international tourists in Mexico, despite the surrounding criminal dynamics. Analyzing recent trends in each one serves to illustrate this contrast.

Baja California and Baja California Sur



Two states make up the Peninsula: Baja California and Baja California Sur (the southern half). Cities like Tijuana and Ensenada, in the north, and Los Cabos, in the south, are the leading destinations for tourists, American and Canadian retirees, and real estate investors. Border cities are a strategic point for smugglers. The Sinaloa Cartel and CJNG have fought over control of towns like Tecate, Rosario, and Tijuana.

Los Cabos, one thousand miles south of the US-Mexico border, registers low crime rates not only in comparison with its state but also with the rest of the country. Still, international perceptions about criminal activity in Mexico, and confusion about the geography of the Bajas, can have an impact on tourism in Los Cabos. Tijuana is a popular destination for residents on the border and domestic tourism: it offers a bustling nightlife, a unique gastronomical scene, and access to Guadalupe and Ensenada's wine country.



Jalisco

Violence grew in Guadalajara (the state's capital) and its metropolitan area and has expanded to small towns bordering Guanajuato, Michocán, and Nayarit. Cartel Jalisco Nueva Generación (CJNG), the most prominent organized crime group in the state, fights for territorial control against the Santa Rosa de Lima and Beltrán Leyva cartels, and the Caballeros Templarios group. Crimes such as homicide, kidnapping, and carjacking increased between 2018-2019.

American authorities issued a Travel Alert in February of 2020 warning its citizens of traveling in the area because of possible blockades or unsafe transit along main roads after the extradition of Rubén Oseguera Gonzalez, known as "El Menchito," and son of the founder of CJNG. On the coast, Puerto Vallarta ranks typically as one of the cities with the lowest perception of crime in Jalisco. However, its image has been affected by recent events.

Quintana Roo

Cancún is one of the first destinations that comes to mind for international tourists when thinking about Mexico. Its beaches, proximity to ancient Mayan archeological sites, and connectivity make it an attractive place for foreigners and nationals. However, its location and economic vitality make it vulnerable to conflict between organized crime groups like the Sinaloa Cartel, the Zetas, Cártel del Golfo, and CJNG. These organizations use Cancún as a point of entry for drugs arriving from South America and benefit from high local demand for illegal substances among visitors.

In recent years, some violent attacks have taken place in bars and nightclubs in the city. Tourists and authorities have worried about the situation. The US Embassy in Mexico warned in 2018 about travel to the area (including Playa del Carmen) because of these territorial disputes.



Sociopolitical Considerations

Social, economic, and political aspects regularly interact with each other. Their combination creates scenarios that must be managed by decision-makers in the public and private sectors. As discussed earlier in the document, the inertia and direction of drivers can accelerate the effects of these circumstances. It is early to know the full impact of the COVID19 pandemic on the economy. People in the industry must understand that the future of tourism in Mexico must respond to local, national, and international conditions.

Immediate protocols and adjustments to existing infrastructure are happening. Incoming rescue plans and stimuli packages should appear in the short term. It is the long road to recovery that must consider sociopolitical aspects to be successful. Some of them are:

1. The politicization of government aid

Tourist destinations represent economic windfalls for state and national governments. They create jobs, are seen as sources of social development, and may mean votes for the next election. Support for critical infrastructure investments may waver. Other crucial industries in Mexico, like automotive, mining, and transport, may point to supposed party lines when recovery packages are announced for places whose elected officials belong to MORENA, President López's party. Some examples of cities with MORENA mayors: Acapulco, Mazatlán, Ensenada, Mexicali, Tijuana, Mexico City, Cancún (belonging to the Benito Juárez municipality), and Los Cabos.

2. Pressure from local interest groups

Taxi drivers, political unions, hotel, and casino owners, among others, could pressure officials for reopening the economy or for ease of regulations. Formal and informal organizations are a source of support for politicians. During the quarantine, some places have seen protests by members of these groups demanding local aid. Competition for public resources among the organizations could lead to new political deals.

3. Lack of clarity about timetables for recovery

There are tensions between the federal and state governments due to response to the health emergency in Mexico, differing even about the number of reported casualties. The same goes for timetables for reactivation of the economy. Discrepancies arise from decisions by local and federal officials, and happen with upcoming elections (July 2021) in view. Additionally, complementary industries to tourism could take longer to recover, such as cultural sites (museums, theaters), agencies, or travel magazines.

4. Effective communication for developing trust from tourists

Lifting restrictions for travel and commerce will not mean that tourists will automatically feel comfortable in transport or lodging. Travelers could expect extreme sanitation of facilities,



especially if coming from places where health authorities are stricter, while some might disregard local measures. New certifications and hygiene-quality assurance could be needed, as well as the redesign of infrastructure and leisure activities. Communicating the effectiveness of these protocols will have to focus on reaching tourists even before arrival at their destination. Visitors could seek to even more remote places in Mexico to avoid overcrowding; however, smaller towns could lack connectivity and the right facilities to handle new waves of tourists.

5. Expectations of citizens living in tourist areas

Criticism of the industry refers typically to mass tourism and social inequality. After the health emergency, economic disadvantages from vulnerable citizens will become more apparent. The sector attracts large numbers of migrants from other parts of Mexico, and rapid urbanization remains a challenge in cities all over the country. Addressing social needs like education, health insurance and benefits, efficient transport, and public services, is crucial for local citizens. People that once held direct or indirect jobs in the industry could return to their places of origin, leading to pressure on officials even in towns far from tourist hotspots. Economic performance will be an essential issue in the upcoming elections.

6. Hydropolitics

Mass tourism uses large quantities of water. During and after the COVID19 pandemic, protocols call for more frequent washing of hands, clothes, and constant disinfection of surfaces. These activities increased water use and waste. Some tourist destinations already faced water shortages, and disruptive local organizations could use the cause for political gain if governments and businesses do not address the problems. Substantial investments, like those of trans-national beverage companies, have already been confronted by the population in various parts of Mexico. In some cases, the issue has escalated to the national political agenda, with companies being publicly singled out by President López.

7. Unexpected reactions by organized crime groups

During the quarantine, criminal organizations donated foodstuffs and masks branded with their group's emblem. This propaganda tactic aims to spread and strengthen local support, also known as the social base of crime. This sociopolitical capital could be useful for them when economic activity restarts. An example of the damaging effects of this came when criminal organizations threatened to take care of people that did not respect curfews or social distancing measures. These groups are informal actors wielding authority in direct competition with the government. Crime rates have not fallen during the quarantine and will probably increase during the upcoming months.



Conclusion

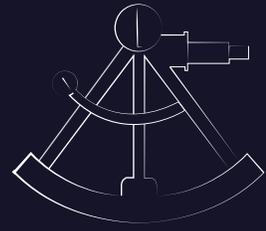
The model of traditional tourism must be redesigned in Mexico. Plans for recovery will be successful if they come from a systemic vision with emphasis on regional development. Tourist destinations do not only face competition from other places in the country but also others in the world. Mexico risks falling behind if it does not act in time with carefully planned strategies.

Sociopolitical considerations set the background for planning. Decision-makers must not ignore the fact that tourism is just one of the essential sources of revenue and growth in the country. Employees will be more conscious of the need for health services and benefits after facing a pandemic. The definition of essential activities and frontline workers will be debated at the national level.

Tourism is highly dynamic. It quickly responds and adapts to fashion and trends while offering something for every kind of traveler. This time, however, adjustments in the sector have to be more profound. New classes of tourists, different spending patterns during an economic contraction, and a changing political landscape will also influence the industry. Most importantly, aspects that are generally not related to tourism need to be considered as well. Initiatives and policy recommendations should start from there.

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