

## **Tourism in Mexico: Its Development, Dependency, and Spatial Patterns**

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**Track: Tourism and Travel**

# Tourism in Mexico: Its Development, Dependency, and Spatial Patterns

## ABSTRACT

This paper examines tourism in Mexico. The research questions concern the long term role of the Mexican federal government in developing and stimulating tourism, the extent of tourism dependency of Mexico on the United States, and the extent of regional differences in tourism within Mexico. The method is simple economic trend analysis. The research results are illustrated by a case study of a leading Mexican hotel chain. Findings are interpreted in terms of world systems theory. The paper shows that Mexican tourism has a large variety of forms and is tied to processes of globalization.

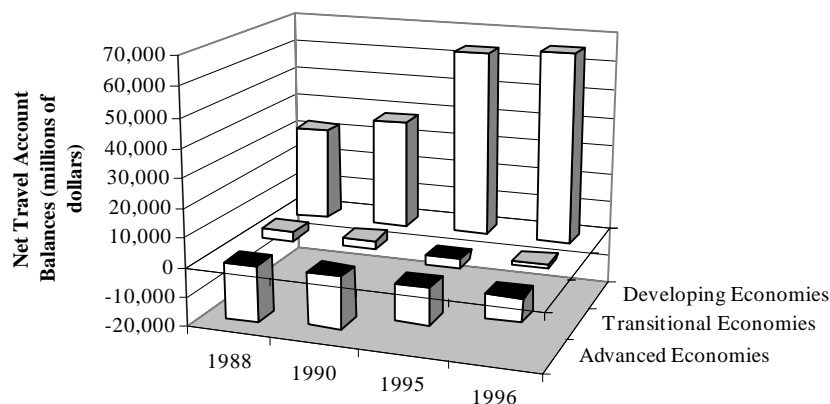
## Introduction

Tourism is an important part of the Mexican economy. It is a national asset that encourages positive international exchange. Tourism is both domestic and national, and the two categories differ in their geographical thrust and features. The Mexican government has developed its assets through a largescale federal program of funding over many years. At the same time, private investment, much of it Mexican, has contributed to its long-term success. The federal programs have had some problems and setbacks, but on the whole have been successful in stimulating tourism to become a key economic sector and source of exports and foreign exchange.

Mexican international tourism represents a form of interaction largely between a semi-peripheral nation, Mexico, and a single core nation, the United States. The nation of Mexico may be divided into regional parts that are advanced, semi-peripheral, and peripheral (Butler, Pick, and Hettrick, 2000). The advanced part consists of Mexico City and Baja California; the peripheral part consists of the three southern states of Chiapas, Oaxaca, and Guerrero; and the largest semi-periphery part consists of the rest of the states (Butler, Pick, and Hettrick, 2000). Most long-term international tourism occurs in the peripheral or semi-peripheral parts of the nation, while the short-term international tourism occurs mostly in the advanced areas. Domestic tourism occurs in all developmental areas, but is oriented towards more historically important zones. Within tourist categories, some tourists are more oriented towards beaches and enjoyment, while others have more serious cultural interests.

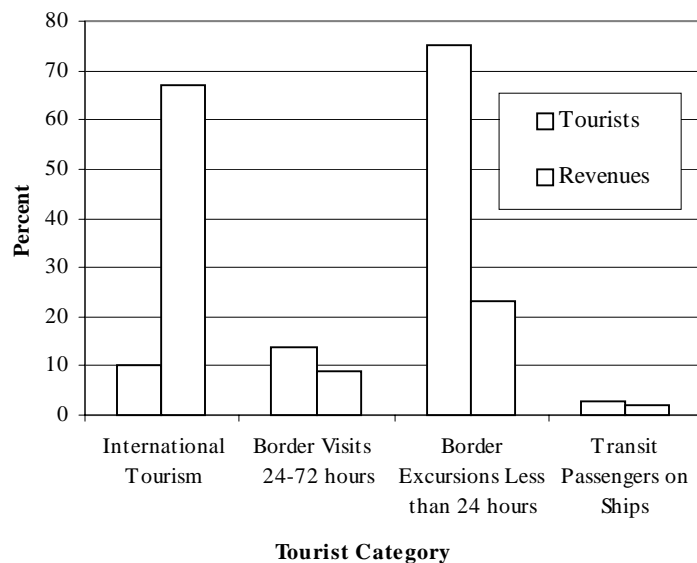
Looking at the net travel account balances (see Figure 1), developing economies have a positive revenue flow, while developed economies have decreasing net outflows (World Trade Organization, 1997). The transitional economies are nearly even. Developing economies have profitable tourism balances since some of them possess rich natural and cultural offerings for tourism. Developing economies have increased their net account surpluses over time. That growth is due in part to nations moving forward in governmental planning and policies to develop tourist infrastructure and facilities. This has stimulated international tourist demand largely from advanced nations. Mexico is an example of this, including the efforts of its government tourist development arm FONATUR and the increasingly global emphasis of tourism companies in Mexico.

Figure 1.  
Net Travel Account Balances by Level of Development,  
1988-1996, in Millions of U.S. Dollars



Currently, Mexico has about 21-22 million yearly tourist arrivals. 12.4 million of them are border visits of 24-72 hours. The remaining nearly nine million are international tourists, coming largely from the U.S. Although this international component constitutes less than half of tourists, it accounts for ninety percent of tourism revenues (see Figure 2). Distant visits that are longer term are much more expensive than 1-3 day border visits.

**Figure 2.**  
**Proportions of Number of Tourists and Tourist Revenues,**  
**1996**



Source: Secretaria de Turismo, 1998.

Mexico's totals pale next to the world's 594 million annual tourist arrivals. Mexico must be put in the context of this huge and growing world tourism industry. It has done well in this global context, in spite of the ups and downs of the Mexican economy as well as its tourism growth.

The objectives of this paper are to examine the development and growth of tourism in Mexico over the past 35 years, and to understand the causes of this development, the spatial arrangement of tourism in Mexico, and the roles of the federal government and private enterprise in building Mexico's tourism.

The specific research questions are the following:

1. What has been the role of the Mexican federal government in developing and stimulating tourism over the past thirty five years? Has it been beneficial or harmful to the growth of tourism?
2. What is the extent of dependency in tourism of Mexico on the United States?
3. What is the extent and typology of regional differences in tourism within Mexico?

### **Background: Tourism Growth and Development in Mexico**

Tourism has been present in Mexico, even in Spanish colonial times. During the 1910s and 1920s, tourism was constrained by the disruptions of the Mexican revolution, by lack of sufficient tourist infrastructure, and by the dearth of a large Mexican middle class to act as a source of domestic tourists. In the aftermath of the revolution, Mexico returned to some normalcy and tourism potential began to blossom. Another trend during the 20s and 30s was the popularity of "indigenismo," a movement to return to Mexico's Indian or indigenous roots. This led to many outcomes such as government projects to shift the educational system to include more indigenous content and restoration of some sites from ancient civilizations (Nolan and Nolan, 1988). The restorations stimulated the tourist market.

Another trend was the development of the transportation system. From 1930 to 1960, Mexico's transport system expanded and eventually opened up the entire nation to tourism. Two milestones of 1930 included the opening of a paved section of the Pan American Highway between Laredo, Texas, and Monterrey, Mexico, and the opening of paved highway between Mexico City and Acapulco (Nolan and Nolan, 1988). Pan American Airways started regular air service between the

U.S. border and Mexico City in 1930. By 1936, the Pan American Highway extended from Laredo all the way to Mexico City (Nolan and Nolan, 1988).

In the 40s and 50s, highways and air service continued to expand. By mid century, Mexico City became the hub of all tourist transport for Mexico. In the 60s, roads were built that opened up the center of Mexico, i.e. the Bajío Region to tourism. It turned out that market interest in the center region was mostly domestic. The now traditional beach resort of Acapulco was opened up for large scale development in the 40s and 50s, and by 1950 had grown to prominence as Mexico's leading resort of that era. Transport and infrastructure continued to improve in the tourism areas of Mexico. During the second half of the century, rural areas became increasingly modern in utilities including energy and water supply, as well as in communications i.e. availability of phones. The transport network continued to expand and modernize. A milestone in 1984 was the completion of all links along the Pacific highway route from the U.S. to Guatemala (Nolan and Nolan, 1999).

In the late 60s, the federal government brought forward a master plan for tourism that sought to develop of national tourism over the long term. Along with this, the government promoted tourism at many levels and through many channels. This program has continued for the past thirty years, and remains vital today. The success of large scale planned tourism has depended on cooperation between the federal government and an active private tourism sector (Clancy, 1999). Neither one nor the other could have succeeded alone.

The first major sign of the federal government's interest in tourism occurred in 1967. The government sponsored coastal resort development to supplement tourism. To select a new resort site for development, the national bank Banco de México sifted through numerous possible locations utilizing computers analysis (Nolan and Nolan, 1988). The computer study identified Cancún, then an unknown island with beaches, as the best location. Although it took nine years before the first hotels opened in Cancún in 1976, Cancún has grown vastly. Today Cancún it over 10,000 hotel rooms and receives 2.3 million visitors per year.

The planned tourism development was spearheaded by Mexico's national tourism trust, FONATUR (Fondo Nacional de Fomento al Turismo), as well as by SECTUR (Secretaría de Turismo). The first set of resorts planned and developed in the 70s and 80s consisted of Cancún, Ixtapa-Zihuatanejo, Puerto Escondido, Los Cabos, Loreto, and Bahías de Huatulco (Nolan and Nolan, 1988; Clancy, 1999). These were located in the southeastern Yucatán Peninsula (Cancún), southern states (Ixtapa, Puerto Escondido, Huatulco) and northern state of Baja California Sur (Los Cabos, Loreto). The states involved of Quintana Roo, Oaxaca, and Baja California Sur were among the least populated and/or poorest in the nation. Referring to the world systems theory approach, these resorts are in the periphery or semi-periphery of Mexico. At the same time, the financial investment, loci of corporate control, and the preponderance of the tourists visitors come from advanced nations or from the advanced part of Mexico.

The role of FONATUR has been to plan an overall national growth in tourism, encourage and develop infrastructure, both basic and tourist; provide financing opportunities and incentives; and to seek investors in new projects (FONATUR, 1999; Clancy, 1999). FONATUR has both invested in infrastructure, including transport, communications, and utilities for massive resort complexes.

The success of FONATUR in its financial and construction results over the last quarter century is seen in Table 1.

**Table 1. FONATUR's Investment and Construction, 1974-1998**

<i>Indicator</i>	<i>Amount</i>
Financial investment by FONATUR	53.0 billion pesos
Total investment generated	104.2 billion pesos
New rooms financed by FONATUR	116,600
Rooms funded private and other non FONATUR financing	73,400
Rooms remodeled by FONATUR	51,630
Jobs created	336,000
(Source: FONATUR, 1999)	

FONATUR's program has been the dominant driver for hotels and infrastructure. For example Mexico in 1997 had a total of 382,364 hotel rooms (World Tourism Organization, 1997). Hence, the rooms financed by FONATUR constituted 30 percent of all of the nation's hotel rooms, and those with associated private funding added another 18 percent. Nearly half of the nation's hotel rooms were derived directly or indirectly from FONATUR!

A project of this scale must be viewed from the standpoint of national development, rather than the view of individual projects and locales. Some of the benefits of the FONATUR project become more apparent from this standpoint. From the 50s through the 70s, the Mexican economy was developed through the approach of "import substitution." The problem was that starting in the 1980s import substitution started to falter, partly due to competition from other countries. The balance of trade had shifted away from Mexico. Another problem since the mid century in Mexico has been the increasing concentration of population in Mexico City (Pick and Butler, 1997). FONATUR's initiatives helped to solve both problems:

first by reducing the import-export gap and second by distributing jobs and population to remote areas away from the large cities (Clancy, 1999).

FONATUR initially faced huge problems in acceptance of its concepts. In spite of all its investment in infrastructure i.e. utilities, transport, and government services, the problem was lack of confidence in such large investment in remote regions. FONATUR initially could not find investors willing to invest (Clancy, 1999). FONATUR and the federal government had to resort to purchasing and operating a hotel chain, Nacional Hotelera, in order to get things started. It also had to sweeten the investment package for outside investors, both by guaranteeing and subsidizing loans (Clancy, 1999). As seen in the table above, FONATUR ended up providing about half of the financing itself. It also built about three fifths of the hotel rooms, with the rest sponsored by outside investors. External investment was essential, and that investment also helped to stimulate the outside market.

Besides the federal level, there is also state and local investment in tourism. State governments have promoted and encouraged tourism, with a view to helping local and regional tourist markets (Van Den Berhe, 1994). At the local -- city and municipio -- levels, support for tourism has been supported more from private rather than governmental sources. Such entities as tourist companies, bus firms, hotel chains, and private guide services, and local architectural preservation associations have contributed (Van Den Berghe, 1994). The main problem here is that the states and localities, especially the smaller ones, have very limited resources (Pick and Butler, 1994).

Over the years, the FONATUR program has weathered a number of economic perturbations and shocks including the debt crisis of 1982, the peso devaluation of 1994, and the subsequent "crisis," i.e. deep recession. In the midst of all this, FONATUR underwent changes as well. In the privatization wave of the 1990s, the government's Hotelera chain was privatized. For strategies of the 90s, FONATUR has had to take into account globalization. This has included globalization of tourism, the hotel business, and of financing. In spite of changes, the long-term strategy has generally been successful, and continues to be. Negative aspects have included local opposition to FONATUR and environmental costs. However, groups opposing the national development plan have been unable to coalesce into a unified national force of opposition. Under its national plan, FONATUR continues to develop tourism further, an aspect discussed later under tourism policies.

### **Tourism exchange between Mexico and elsewhere**

Tourism exchange is substantial between the U.S. and Mexico. This makes sense since both nations' tourist sectors are among the largest in the world, and both have significant natural, cultural, and historical advantages for tourism. It helps that the nation neighbors have a very long and fairly open border for tourist visits. Although the Mexican population is concentrated in the center of Mexico away from the border, substantial U.S. population is located in Texas and California near the border and having good market access to Mexico.

It fits into the economic strategy of Mexico to facilitate tourist exchange with the U.S., since as mentioned earlier Mexico's tourism sector serves to advance the balance of trade and foreign exchange. Although the binational tourism exchange appears too small in monetary terms vis a vis the U.S. balance of trade, but it is major for Mexico.

Culture also plays a role in the exchange. The U.S. population is becoming increasingly Hispanic in composition. Many Mexican-Americans return to Mexico as tourists, and this ethnic group will only become larger in the future. Thus, although it does not represent economic national strategy, tourism to Mexico is favored in the long term by social factors.

Impediments to tourism exchange include cycles of unrest or delinquency mostly in Mexico, pollution, economic downturns in both nations, and scattered occurrences of unfriendliness. However, these reasons have not risen to the level of major disincentives. Overall, the economies of both nations favor tourism exchange, aided by the Mexican federal government actively fostering it.

For Mexico, the U.S.-Mexico exchange dominates in both arrivals and departures. Ninety four percent of tourist arrivals in Mexico in 1997 were from the United States. Mexico is nearby, affordable, and offers great tourist richness in offerings. Border proximity of the U.S. is also a factor; for instance three fifths of tourist visits are border ones of 1-3 days. There is a tiny amount of tourism from the rest of the Americas and from Europe, and very little from elsewhere. In a parallel manner, about 90 percent of Mexican international tourists prefer to visit the United States. This is followed by about Europe and the rest of the Americas with five and four percent respectively.

The preference of Mexican tourists for the U.S. may be puzzling, since the cost is potentially high. However, most Mexican visitors go to the border or to California and Texas, and utilize less expensive tourist options. Ten years ago, the same patterns were present. The U.S. accounted for 84 percent of Mexican tourism visits and the U.S. border accounted for 63 percent (Market Facts of Canada, 1989).

Mexico is seen to be important but not dominant as tourist sender and recipient of tourism to and from the United States. As with the maquiladora industry, for tourism the close proximity of the U.S., a very large advanced nation, and Mexico, a large semi-peripheral nation, stimulates a great deal of exchange in both directions. As is true for trade, the U.S. is much more important for Mexico than Mexico is for the U.S. For Mexico, the U.S. dominates as tourist sender and revenue provider, which creates a dependency relationship.

In broad context, The U.S. and Mexico resemble each other in tourist exchange. During the 1990s, both nations' arrivals

by air grew, while the arrivals by road and sea tended to decline. Another similarity is roughly equivalent increases in leisure arrivals and business/professional arrivals. A difference is that the U.S. increased its international tourism receipts from 1990-97 by 70 percent, more than twice Mexico's increase of 28 percent. The larger increase reflects the strength of the dollar during this period and the weakness in the peso. Paralleling this was a drop for Mexico in international tourism expenditures by 42 percent, compared to a gain of 37 percent for the U.S. This reflects the Mexican tourist's reduced ability to spend, due to a weakened economy and currency. In summary, both countries experienced healthy tourist sectors in the 1990s. Mexico reflects somewhat weaker tourist growth and especially in net profits due to mid decade economic weakness, peso devaluation, and recession. Mexico is highly dependent on the U.S. for tourism, whereas the opposite is less so.

## The Spatial Patterns of Tourism in Mexico

It is important to consider the spatial distribution of tourism in Mexico. Tourist destinations may be classified into categories, including grand cities, traditional, planned, interior, and border. Planned locations are coastal resorts planned and developed by FONATUR over the past thirty years. Traditional represents the older coastal resorts. The grand cities are the three largest cities of Mexico, in particular Mexico City, Guadalajara, and Monterrey. The interior cities consist of cities in the interior of Mexico that tend to be older and less commercial. The border cities consist of the three highest in border tourism.

The spatial patterns for tourism reveal groupings of cities that have great variation in the arrangement and types of tourism. The 1996 data for the 31 largest tourist centers, accounting for ninety percent of the national total, are given in Table 2 (Secretaria de Turismo, 1998).

<b>Table 2. Tourist Volumes in Major Tourist Locations, Mexico, 1996</b>						
<i>Tourist Centers</i>	<i>Rank</i>	<i>Number of</i>	<i>Tourist Arrivals</i>			<i>Percent</i>
<i>(city, state)</i>	<i>Order*</i>	<i>Rooms</i>	<i>National</i>	<i>Foreign</i>	<i>Total</i>	<i>Foreign</i>
<i>Planned Cities</i>						
Bahias de Huatulco, Oaxaca	30	1,846	116,230	43,099	159,329	27
Cancun, Quintana Roo	2	19,754	472,902	1,832,636	2,305,538	79
Ixtapa Zihuatanejo, Guerrero	18	4,131	232,200	151,634	383,834	40
Loreto, Baja Sur	31	435	15,037	37,989	53,026	72
Los Cabos, Baja Sur	15	4,072	68,173	479,390	547,563	88
<i>Traditional Cities</i>						
Acapulco, Guerrero	3	15,756	1,576,018	336,205	1,912,223	18
Cozumel, Quintana Roo	26	3,184	71,036	231,931	302,967	77
La Paz, Baja Sur	29	1,336	156,720	51,860	208,580	25
Manzanillo, Colima	17	2,827	321,747	75,942	397,689	19
Mazatlan, Sinaloa	9	6,585	529,964	193,459	723,423	27
Puerto Vallarta, Jalisco	7	8,134	384,904	490,994	875,898	56
Tuxtla Gutierrez, Chihuahua	27	1,724	268,629	29,087	297,716	10
Veracruz, Veracruz	5	5,552	1,202,765	50,551	1,253,316	4
Villahermosa, Tabasco	16	2,081	354,445	43,273	397,718	11
<i>Grand Cities</i>						
Federal District	1	40,188	5,748,795	1,640,765	7,389,560	22
Guadalajara, Jalisco	4	11,712	1,462,097	145,414	1,607,511	9
Monterrey, Nuevo Leon	6	6,624	879,999	172,872	1,052,871	16
Puebla, Puebla	11	3,451	561,196	89,724	650,920	14
<i>Interior Cities</i>						
Cuernavaca, Morelia	20	2,023	306,457	59,078	365,535	16
Durango, Durango	19	1,534	371,373	5,764	377,137	2
Guanajuato, Guanajuato	28	1,810	240,891	34,429	275,320	13
Hermosillo, Sonora	22	4,131	314,819	33,771	348,590	10
Merida, Yucatan	12	4,043	338,879	284,047	622,926	46
Morelia, Michoacan	14	2,886	509,947	24,636	534,583	5
Oaxaca, Oaxaca	13	3,266	392,593	161,833	554,426	29
Queretaro, Queretaro	21	2,227	338,828	10,584	349,412	3
San Luis Potosi, San Luis Potosi	25	2,418	293,789	18,853	312,642	6
Zacatecas, Zacatecas	24	1,322	327,331	12,760	340,091	4

<b>Table 2. (Cont.). Tourist Volumes in Major Tourist Locations, Mexico, 1996</b>								
<i>Tourist Centers</i>	<i>Rank</i>	<i>Number of</i>	<i>Tourist Arrivals</i>			<i>Percent</i>		
<i>(city, state)</i>	<i>Order*</i>	<i>Rooms</i>	<i>National</i>	<i>Foreign</i>	<i>Total</i>	<i>Foreign</i>		
<i>Border Cities</i>								
Tijuana, Baja California	8	4,448	639,012	178,304	817,316	22		
Ciudad Juárez, Chihuahua	10	2,777	641,977	79,361	721,338	11		
Reynosa, Tamaulipas	23	2,106	311,250	37,203	348,453	11		
Total for Cities Shown		174,383	19,450,003	7,037,448	26,487,451	27		
Grand Total		190,405	21,906,314	7,469,235	29,375,549	25		
Source: Secretaría de Turismo, 1998.								
* The rank order represents the ordering in total tourist arrivals. This number appears on the corresponding map.								

It is clear that the planned tourist centers are located in the beach and surf locations in the southeast, south, and in Baja Sur. The traditional tourist centers are also in beach and surf locations along Mexico's coastlines. The planned resorts, compared to the traditional ones, are in more remote and unpopulated parts of states. The grand cities and interior cities are predominantly in the interior, central section of the nation, while the border cities are widely spaced across the full length of the U.S.-Mexico border. The areas in Mexico lacking most in tourism are the "oil states" of Campeche and Tabasco, the state of Chiapas, and most of the northern states, except for the immediate border strip and Baja Sur. These areas tend to be less accessible by transport and away from the major population centers. They have mountains, deserts, and jungles that further constrain tourist development and interest. The spatial locations relate to the world systems theory. Both Mexicans and foreigners tend to visit all three of the developmental areas of the nation, but with different emphases.

The "foreignness" varies a lot by type of center. For the planned tourist centers, three quarters of tourist visits are by foreigners. The other types are much lower, with traditional and grand cities types at one quarter and a fifth foreign, and the interior and border types at 16 percent. All the planned sites of FONATUR are foreign oriented. From a balance of trade standpoint, foreign visitors contribute positively to the balance of trade and also have higher per capita and per trip expenditures. The highest "foreignness" is for the centers of Los Cabos in Baja Sur and Cancún in Quintana Roo. These appear not too different in composition from some U.S. tourist spots, such as those in Hawaii or Southern California. The federal planning for these "foreign" beach resorts has paid off handsomely on an economic basis. Nevertheless, there are negatives that will be discussed in the next section of the paper.

Tourism in the traditional and grand cities, amounting to three fifths of total tourism, is predominantly Mexican. Because Mexico is a highly centralized nation (Pick and Butler, 1997), there is obviously a draw to the national capital. It has important cultural attractions, the most population, vast entertainment venues, as well as most of the government and corporations. Some of this applies to the other grand cities. The traditional locations are mostly older resorts, more keyed to middle class Mexicans, from language, cultural, and transport accessibility standpoint.

The interior and northern border draw six times as many Mexicans as foreigners. Mexicans visit the major interior locations for many reasons including their great historical and cultural importance, visits to family, and need to escape the major cities to quieter, safer, and more colonial environments. The reason for the low proportion of foreign "tourists" to the border despite its U.S. proximity relates to the lack of enduring features to hold Americans more than one day in Mexican border cities. Rather, there is preference for short visits of less than a day that are not classified as "tourist." Instead of staying overnight in a border city, foreigners by a six to one margin prefer short-term visits of less than 24 hours.

The patterns of transport to these tourist center types are clearly different. For instance, for air transport to the centrally planned beach resorts, 57.1 percent of air seats were occupied by foreigners, whereas the proportion was only 25-27 percent to the grand cities and colonial cities, and only 0.6 percent to the northern border (Secretaría de Turismo, 1997). This reflects a tourist infrastructure that is oriented to certain kinds of tourists for certain regions. Other supporting structure follows this quite pattern; for instance flight services, support services, and airports serving Cancún emphasize different comfort and diet patterns than those for Veracruz or Ciudad Juárez.

### **Local Impacts of Tourism: A Literature Summary**

This section discusses the delicate but crucial interrelationship between tourism and the local community and the local and regional impacts of tourist development. Based on the literature, case studies are cited that build on the groupings of cities in the previous section. The local and regional impacts are not only felt for planned development and mega-projects, but also for all the tourist types ranging from grand cities to the border. Nearly two million Mexicans work in the tourist industry, equivalent to eight-percent of the national workforce. Besides the workers, there are many organizations interacting with local tourism, including service firms, transport companies, food and beverage enterprises, and unions. The global elements play a role in local tourism. Some companies are international and global. Tourists may be international, and they may or may not adopt the outlook of a typical international tourist. This section of the paper briefly discusses two literature

cases of local impacts of tourism development, one of the planned resorts of Bahías de Huatulco and a second of the interior city of San Cristóbal. (See, 1993; Camacho, 1996; and Van Den Berghe, 1994).

Bahías de Huatulco has already been mentioned as one of the planned resorts of FONATUR. It is perhaps the largest of all FONATUR's planned projects. Its current size is 1,846 hotel rooms and 159,000 annual visitors. That is projected to reach 30,000 hotel rooms and 2 million annual visitors by the year 2018 (FONATUR master plan, cited in Long, 1993). It is an area comprising nine bays in southeastern Oaxaca state. FONATUR began to develop Santa Cruz Huatulco in 1984. It previously had a tiny population of 735 in the city of Santa Cruz, which consisted mainly of farmers and fisherman (Long, 1993). In 1986, the small town was displaced and moved to the other side of a hill, so that the original site could be utilized as a coastal tourist element in the planned project. The residents underwent drastic social changes, including facing the immigration of young workers and tourist personnel, adapting to changes in the type of housing structures built, and enduring sharp rise in land prices.

There have been strong social impacts on the local residents. They have expressed little support for the project, and not much support for FONATUR's handling of the development project (Long, 1993). The local citizenry are divided into groups that on the surface either accepted the project or resisted it. In response, FONATUR tried to reduce the problems by introducing mitigation efforts. The mitigation included job training programs, provision of medical, health, and police services, the building of the town of La Crucecita, new schools, public assemblies, and recreation support services (Long, 1993). The mitigation efforts were not initially successful, but over time, the population has gradually "adapted" to the realities of the mega-project and benefited by FONATUR's mitigation (Long, 1993). For instance, the longer people lived in the new "artificial" town of La Crucecita, the greater the acceptance of the town concept.

Another perspective on Huatulco is provided by another anthropological case study (Camacho, 1996) in which the investigator worked in two multinational hotels posing as a maid and as an English teacher. The study is valuable in demonstrating large gaps in stratification even verging on segregation among hotel workers. There was stifled dissent that came forward for one hotel in a full-fledged worker strike that broke away from union control.

The hotel worker stratification involved crucially the difference between non-union management and unionized low level workers. The management level consists of higher level managers, mostly males, and mid level service personnel, with mixed gender balance. All levels have attire that clearly connotes strata (Camacho, 1996). Below are the unionized workers serving as maids, janitors, and repairmen. The low level is more female.

The multinational hotel chains had essentially moved former peasants with low education into low level hotel industry jobs, in which they were not given many choices and limited means of dissent (Camacho, 1996). High level managers came in from outside and were regarded as if they were "foreigners" from a different world. The Huatulco case demonstrates the interplay of global and local elements for planned tourism in a peripheral region of Mexico. The low-level workers suffered from many aspects of social change at every step. They were displaced from their town site and forced to adapt to an "artificial" city. They suffered economically as the standard of living in the region increased. In employment, there are clear problems of maldistribution and social stratification with more educated and skilled managers even verging on segregation. The multinational elements of tourists and hotel companies benefited, and the government was largely successful in developing a new region of great potential prosperity. An offset to the social problems was FONATUR's program of mitigation, which in essence attempted to give some of the benefits of the semi-periphery to former peripheral citizens. It has mixed success.

Another case study that relates to interior tourist centers and the tension between commercial and eco-tourism is the well known study of San Cristóbal by Van Den Berghe (1994). This anthropological field study was performed in the late 1980s in the interior city of San Cristóbal in the highlands of Chiapas. The investigator surveyed nearly 200 tourists. The annual tourist volume was moderate at about 136,000, about half Mexican.

There were two groups of tourists, one a younger group called "eco-tourists," who were more oriented towards longer stays, enjoying the culture, meeting the local people, staying in local hotels and getting good value (Van Den Berghe, 1994). By contrast, the other group was older, much more transient, often part of tourist travel groups, and with much less interest in local people and customs. The research also identified a group of middlemen, termed "ladinos," who brokered interactions of various kinds between the local Indians and the tourists. Foreign and domestic tourists acted differently. Among other things, the Mexican domestic tourists are more interested in western-standard hotels and modern accommodations with shorter stays, while the young, foreign eco-tourist is interested in more primitive and location experience (Van Den Berghe, 1994).

This case points to the role of different types of tourists, who have different perceptions and appreciation of the type of tourist environment. The contrasts are between eco-tourist and commercial tourists, and between foreign and domestic tourists. The interchanges are less harsh than in the case of Huatulco. For instance, the scale of tourism had not displaced the natives to the extent of Huatulco. The presence of middlemen emphasizes that natives are appreciated in their native aspects, in contrast to the massive conversion of the natives into tourist workers, as owned in Huatulco. The good aspects of this case are the potential of harmonious interchanges, without exploitation, between core and periphery elements. Although that was not achieved with certain categories of commercial tourists, the case does hold out hope. Another point is that the advanced core is less present in San Cristóbal than in Huatulco, in such aspects as massive modern hotels, an airport, and hotel



managers who are removed from natives.

### **Case Study: Hoteles Presidente Inter-Continental**

This part of the paper discusses the case study of a major hotel chain that straddles the business boundary between international and domestic tourism.

Hoteles Presidente is a leading hotel chain in Mexico that is privately controlled. It has a close collaboration with Inter-Continental Hotels Corporation, a global hotel chain. This case study examines the history and current structure of Hoteles Presidente, its relationship globally and locally, its relation to international and domestic tourists and markets, and the tradeoffs that it faces between global and domestic needs.

Hoteles Presidente currently owns seven luxury hotels and a spa. Two are in grand cities, namely Mexico City and Guadalajara, and the others are in planned resorts. The chain had 2,564 rooms and an annual budget of about \$180 million in 1997.

The company was founded by a Mexican businessman in the late 1950s. After falling into financial difficulties, the chain was purchased in 1972 by the federal government. It operated for 13 years, as a government owned chain, which had 28 hotels that were mixed in quality and size. The government period fit in with FONATUR'S plan, mentioned earlier, of running some hotel chains to stimulate its national tourism plan. The company was re-privatized in 1985; four Mexican families purchased control of the chain. The government hoped at the time that privatization would further stimulate tourism. The chain became more oriented towards luxury market; in 1988, many lower level hotels were sold off, leaving a grouping of luxury hotels. The management felt that it would be important to associate with a global hotel chain, in order to strengthen the company's international exposure, foreign customer base, and brand name exposure. Hoteles Presidente linked up with Stouffer Hotels, part of Nestle, from 1991-1993.

After a breakup with Stouffers, Hoteles Presidente floated for nine months while it looked for a new global association. The company's management felt it could not endure without global recognition. It was able to form a new association with the global chain of Inter-Continental Hotels in late 1993. Inter-Continental Hotels has about 200 hotels in 75 countries, mostly luxury category. H-P retained the management of Mexican hotel assets, while Inter-Continental assumed hotel operating responsibility. There is a complex agreement regarding the financial and corporate relationships, but essentially Inter-Continental is paid about half of profits and other fees in exchange for its operating role. H-P management cites as the major advantage to this association diversification, in particular the ability to attract customers from the international marketplace, diversifying away from domestic clientele. There is also a strategic advantage of having access to world class competencies. This is especially so for the Inter-Continental's worldwide reservation system, IC Global II. That system is analogous to having access to a worldwide airline reservations system -- it attracts and maintains customers, travel agents, and other intermediaries.

In 1998, Inter-Continental was taken over by Bass PLC from the UK, which controls Holiday Inns and a total of 2,600 hotels and 450,000 rooms i.e somewhat more than the entire hotel capacity of Mexico. Geographically, Bass/ Inter-Continental is located in London, while Hoteles-Presidente management is located in Mexico City and the hotels are in Mexico City, Guadalajara, and important planned resorts.

In spite of the Inter-Continental linkage, the Mexican hotels are staffed nearly 100 percent by Mexicans. Out of the 3,000 employees of Hoteles Presidente, only 32 are foreign including two hotel managers, several executive chefs, the Director of Marketing, trainers, sales managers, and several others. Nationalities of the foreign employees include a variety of European backgrounds, Canadian, and Israeli. About one third of the workforce is temporary and half is unionized, but unlike the Huatulco case, there have been no labor disputes or unrest for the past ten years. The Mexico City Hotel Presidente Inter-Continental forms a hub in this network. All strands come together in this hotel that houses the domestic asset management firm, national operating management from Inter-Continental, and the management team for the largest hotel, with 659 rooms.

The customer aspects are challenging to work with. For instance, management interviews indicated that the international customer, at 70 percent of the chain's market, is very different in tastes and interests than the domestic customer. The profile for the international customer is someone who likes to reserve far ahead of time, is used to multiple seatings in restaurants, likes canned fruit juices, and books conventions far in advance. The domestic customer is opposite on all of these characteristics including preferring fresh juices, and reserving conventions sometimes only weeks in advance. Hoteles Presidente is seeking to serve both of these customers, and has to train its staff to service both. At the same time, the entire chain is being brought up to world class hotel quality standards, from computers to water quality to comfort. The customer mix from year to year also influences the company's financial flows since a weak peso may favor a higher proportion of foreign visitors and imply purchasing relatively more goods and services domestically.

The upshots of this corporate case include the need to balance global and local concerns and viewpoints. There are a lot of diverse stakeholders here. They include British multinational executive management, private family owners in Mexico City and their hired asset managers, Inter-Continental's Mexico-based operating management, the large number of skilled and unskilled Mexican workers, and a customer base ranging from the Middle-Eastern and European global travelers to wealthy

Americans and well-off Mexican nationals. In addition, there is Bancomer, one of the two leading Mexican commercial banks, and FONATUR, which are minority owners of the asset company. Hoteles Presidente represents a balancing act between domestic and foreign interests and markets, government and business, and private versus public needs. Although the firm has been well managed and has avoided major labor unrest seen elsewhere, the key issue of identity remains. Right now the firm is relying mainly on an associated global brand name to establish identity. A challenge for the firm managed in advanced cores (Mexico City, London) is to be sensitive to hotel locales that are mostly outside of the core, with many in the periphery. The deep key to success may be cultural. Can the gaps be bridged between managers with different outlooks, and customers varying in cultural attitudes. Can the hotels full mostly of wealthy foreigners relate well to the mostly low-level hotel workforce? So far things have been working well.

This case reinforces the research questions. First, it demonstrates the major role of the Mexican federal government and of FONATUR in stimulating the tourist sector. Not only did FONATUR own the chain for over a decade but it stimulated private growth including through present day minority ownership. Dependency of Mexico on the U.S., as well as on its advanced nation counterparts, is seen in the need for Hoteles Presidente to associate with a U.S. or multinational firm (Stouffers and later Intercontinental). That need was present because the Mexican owned firm did not have sufficient resources on its own to compete in the world market. Rather, it had to depend on much stronger entities in the U.S. or U.K. The regional differences in tourism are highlighted by the shift that took place after re-privatization i.e. that the firm that earlier catered to domestic tourists later served mostly international and global tourists, who visited expensive surf and sand locations.

## Conclusion

Tourism represents one of the key assets of Mexico. It is based on the inherent advantages of a nation endowed with rich cultural and natural features. It is enhanced by proximity to a huge U.S. market of tourists seeking a variety of short-term and long-term visits. The increased sunbelt concentration of U.S. population with growing Mexican ethnicity also favors the tourist flows. The Mexican government since the 1960s has taken a proactive role in fostering large scale planned tourism.

This paper has examined the growth in tourism in Mexico as a mostly semiperipheral nation. Developing nations today tend to have positive tourist exchange balances and Mexico is a good example. One result is that tourism ranks along with petroleum and maquiladoras as one of the three largest sources of income for the Mexican economy.

Besides positive economic benefits, there are negative elements that must be weighed. These include cultural impacts, pollution effects, bad images created by crimes and delinquency, some lowering of local resident workforce to menial tasks, and changes in the land pricing of tourist locations.

From the perspective of world systems theory (Shannon, 1996), a semiperipheral nation, Mexico, is exchanging natural resources and low cost labor for foreign investment. This is analogous to other exchanges of resources between advanced and semiperiphery. Minerals might be another example. A high level of dependency of Mexico on the U.S. is created through this exchange. Another world systems theory perspective is that of the division of Mexico into advanced, semiperipheral, and peripheral regions. Many tourist features fit well into this framework. For one thing, the locus of planned tourist development, accentuating export exchange, is in the periphery and semiperiphery within Mexico. The Mexican government is playing a classic development game, of trading its "resource" base for financial benefits. By contrast, border tourism reflects huge volume and low costs of visits. It is largely keyed to the closeness of the U.S. southwest with the Mexican border region. In terms of the parts of Mexico, this is an exchange more between equals. Much of the Mexican border region is advanced -- not the equivalent of the U.S., but close in exchange level.

It is important to consider also the patterns of the Mexican domestic tourist, which are focused on the interior and traditional resorts -- older areas, many with great cultural importance. If Mexico expands its middle class, domestic as well as foreign tourism will become more important.

Returning to the paper's research questions, we conclude by indicating the paper's findings.

1. *What has been the role of the Mexican federal government in developing and stimulating tourism over the past forty years? Has it been beneficial or harmful to the growth of tourism?*

The Mexican federal government provided major economic and regulatory support for the development of large scale international tourism through FONATUR and other programs. At the same time, there were negative local effects of its sponsorship, such as displacement of native population, reduction in jobs, exploitation, and cultural losses. There were also local benefits such as new jobs in the hotel and tourism industries. The overall net benefit would appear positive to the Mexican economy.

2. *What is the extent of dependency in tourism of Mexico on the United States?*

There is a large extent of dependency on the United States. This is seen in the large volume of U.S. tourism to Mexico, both short term and long term, the very high proportion of international tourists to Mexico that comes from the U.S.; the dependency on the U.S. and other advanced nations for expertise; and the reliance on U.S. and other advanced nations'

hotel and tourism technology.

3. *What is the extent and typology of regional differences in tourism within Mexico?*

Mexico has five distinct groupings of tourist cities. Each group has a different proportion of international versus domestic tourists, and differs in other respects. For instance, the “planned cities” are predominantly foreign and located in “sun and beach” areas, while the “traditional cities” are mostly domestic and located in the older tourism centers that go back 50 or more years, such as Acapulco and Veracruz. The dramatic regional differences are helpful in understanding the complex cause and effect of tourism in different parts of the nation.

The Hoteles Presidente case demonstrated the business pressures on a luxury hotel chain. There are competing interests of global versus domestic markets, government sponsorship versus private owners, and foreign versus local workforce. In spite of countervailing forces, the company seems to have adapted to the stresses and strains and to have reached a satisfactory compromise, including a split between local asset management and global operational management, and cooperation with the government.

Tourism is a complex feature of Mexico. It has positive and negative elements that are different to various stakeholders. It has been and will continue to be a key element in the growth and development of the country.

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